

EXHIBIT A

Case 10-44845-NLW Doc 1 Filed 11/09/10 Entered 11/09/10 11:32:31 Desc Main Document Page 5 of 12

IN THE UNITED STATES BANKRUPTCY COURT

In the Matter of:

Walsh Securities, Inc.,

Debtor

}
} Case No.
} Chapter 11
}
}

STATEMENT REGARDING AUTHORITY TO SIGN AND FILE PETITION

I, Robert Walsh, declare under penalty of perjury that I am the President of Walsh Securities, Inc., and that the following is a true and correct copy of the resolutions adopted by the Board of Directors of said Corporation at a special meeting duly called and held on the 9th day of November, 2010.

"Whereas, it is in the best interest of this Corporation to file a voluntary petition in the United States Bankruptcy Court pursuant to Chapter 11 of Title 11 of the United States Code;

Be It Therefore Resolved, that Robert Walsh, President of this Corporation, is authorized and directed to execute and deliver all documents necessary to perfect the filing of a Chapter 11 voluntary bankruptcy case on behalf of the Corporation; and

Be It Further Resolved, that Robert Walsh, President of this Corporation is authorized and directed to appear in all bankruptcy proceedings on behalf of the Corporation, and to otherwise do and perform all acts and deeds and to execute and deliver all necessary documents on behalf of the Corporation in connection with such bankruptcy case, and

Be It Further Resolved, that Robert Walsh, President of this Corporation is authorized and directed to employ the law firm of WASSERMAN, JURISTA & STOLZ, P.C. to represent the Corporation in such bankruptcy case."

Date: November 9, 2010

Signed: _____


ROBERT WALSH, PRESIDENT

EXHIBIT B

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY
CIVIL NO. 97-3496 (DRD)

WALSH SECURITIES,
INC.,

Plaintiff,

v.

CRISTO PROPERTY
MANAGEMENT, LTD., a/k/a
G.J.L. LIMITED; DEK
HOMES OF NEW JERSEY,
INC.; OAKWOOD
PROPERTIES, INC.;
NATIONAL HOME FUNDING,
INC.; CAPITAL ASSETS
PROPERTY MANAGEMENT &
INVESTMENT CO., INC.;
CAPITAL ASSETS
PROPERTY MANAGEMENT,
L.L.C.; WILLIAM KANE;
GARY GRIESER; ROBERT
SKOWRENSKI, II;
RICHARD CALANNI;
RICHARD DI BENEDETTO;
JAMES R. BROWN; THOMAS
BRODO; ROLAND PIERSON;
STANLEY YACKER, ESQ.;
MICHAEL ALFIERI, ESQ.;
RICHARD PEPSNY, ESQ.;
ANTHONY M. CICALASE,
ESQ.; LAWRENCE CUZZI;
ANTHONY D'APOLITO; DAP
CONSULTING, INC.;
COMMONWEALTH LAND
TITLE INSURANCE CO.;
NATIONS TITLE
INSURANCE OF NEW YORK,
INC.;

COPY

DEPOSITION UPON
ORAL EXAMINATION
OF
ROBERT C. WALSH

1	FIDELITY NATIONAL :	1	
2	TITLE INSURANCE CO. OF :	2	I N D E X
3	NEW JERSEY; COASTAL :	3	
4	TITLE AGENCY; DONNA :	4	WITNESS PAGE
5	PEPSNY; WEICHERT :	5	ROBERT C. WALSH
6	REALTORS and VECCHIO :	6	Direct examination by Mr. Kott 6
7	REALTY, INC. D/b/a :	7	Cross-Examination by Mr. Hayes 172
8	MURPHY REALTY BETTER :	8	
9	HOMES AND GARDENS, :	9	EXHIBITS DESCRIPTION FOR IDENT.
10	Defendants. :	10	Robert Notice to take oral 5
11		11	Walsh-1 deposition of plaintiff
12		12	Walsh Securities
13		13	Robert Fourth amended complaint 5
14		14	Walsh-2
15		15	Robert Letter dated April 3, 5
16		16	Walsh-3 1998 from Walsh
17		17	Securities to William T.
18		18	Lutz
19		19	Robert Letter dated July 3, 1997 107
20		20	Walsh-4
21		21	Robert Letter dated July 30, 108
22		22	Walsh-5 1996
23		23	Robert Agreement of settlement 110
24		24	Walsh-6
25		25	

1	A P P E A R A N C E S:	3	
2	STONE & MAGNANINI	4	(Exhibits marked for identification
3	150 John F. Kennedy Parkway	5	Robert Walsh-1, Notice to take oral deposition of
4	Short Hills, New Jersey 07078	6	plaintiff Walsh Securities; Robert Walsh-2, Fourth
5	BY: ROBERT A. MAGNANINI, ESQ.,	7	amended complaint; Robert Walsh-3, Letter dated
6	AMY WALKER WAGNER, ESQ.,	8	April 3, 1998 from Walsh Securities to William T.
7	For the Plaintiff	9	Lutz.)
8		10	
9	MC CARTER & ENGLISH, LLP	11	MR. KOTT: Before we swear the witness,
10	Four Gateway Center	12	I had marked for identification exhibit Robert
11	100 Mulberry Street	13	Walsh-1, which is a notice to take oral deposition of
12	Newark, New Jersey 07102-0652	14	plaintiff Walsh Securities, Inc. which I served on
13	BY: DAVID R. KOTT, ESQ.,	15	Mr. Magnanini.
14	For Defendant/Third-Party Plaintiff Commonwealth Land	16	
15	Title Insurance Company	17	Robert Walsh-2 is the fourth-amended
16		18	complaint that is filed as document 302, filed with
17	FOX, ROTHCHILD, O'BRIEN & FRANKEL	19	the clerk electronically on 07/10/2009. Attached to
18	937 Lenox Drive	20	it is document number 302-2, electronically filed the
19	Lawrenceville, New Jersey 08648	21	same day, which are the exhibits.
20	BY: EDWARD J. HAYES, ESQ.,	22	Exhibit Robert Walsh-3 is an April 3,
21	For Defendants Nations Title Insurance and	23	1998 letter and its enclosures written by Fred H.
22	Fidelity National Title Insurance	24	Schlesinger, vice president and general counsel of
23	METHESSEL & WERBEL	25	Walsh Securities, Inc., to William T. Lutz, Esquire,
24	3 Ethel Road		Sedwick Law Firm, apparently making a claim under a
25	Suite 300		mortgage bankers bond.
	Edison, New Jersey 08818		MR. MAGNANINI: Do you have copies of
	BY: MARTIN R. MC GOWAN, ESQ.,		those? I didn't bring any.
	For Coastal Title Agency		MR. KOTT: Yes.

2 (Pages 2 to 5)

Walsh-direct

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1 A Walsh-1, this is noticing my deposition.
 2 Q Right.
 3 A For whatever reason, I believe Bette's
 4 answer copied on this. So she saw I was being
 5 deposed.
 6 Q Okay.
 7 A And that she saw me being deposed, she
 8 said, is this good or bad for you?
 9 Q Why would she speak to you about that?
 10 A You sent a copy of this to her.
 11 Q But why would she have an interest in
 12 what's good or bad for you?
 13 A I'm her brother.
 14 Q Okay.
 15 Are you aware of any reason that Bette
 16 Ann could not give a deposition?
 17 A My personal knowledge, no.
 18 Q Are you aware whether Bette Ann is
 19 available for a deposition on Tuesday?
 20 A I don't know. I haven't spoken to her.
 21 Q Do you have access to Yankee tickets?
 22 A Personally, no.
 23 Q What do you mean when you say
 24 "personally"?
 25 A You can buy Yankee Stadium tickets. I

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1 don't know what you're referring to.
 2 Q You don't have like season tickets or
 3 anything like that?
 4 A Myself, no.
 5 Q What was Bette Ann's -- withdrawn.
 6 When was Walsh Securities, Inc. formed,
 7 approximately?
 8 A Walsh Securities, Inc. was formed in
 9 April of 1996.
 10 Q And were you a stockholder?
 11 A I acquired in April of 1996 GF Mortgage,
 12 which then became Walsh Securities, and there was
 13 four shareholders, my two daughters and myself, and
 14 Grinch Capital had a warrant and we were the
 15 shareholders of Walsh Securities.
 16 Q Was Bette Ann DeMola ever a shareholder
 17 of Walsh Securities?
 18 A No, she was not.
 19 Q Have you ever testified under oath that
 20 she was?
 21 A I did.
 22 Q When was that?
 23 A Citiscape transaction, Citiscape
 24 deposition.
 25 Q What did you testify under oath there?

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1 A That she was a shareholder.
 2 Q And how much stock did you say she
 3 owned?
 4 A Five percent.
 5 Q And why did you testify to that?
 6 A When we were doing the merger with RBMG,
 7 we knew what the exchange rate for Walsh Securities
 8 shares going into RBMG were going to be in the first
 9 week of April of 1997.
 10 I went to 19 people, some relatives
 11 outside that didn't work for Walsh, some friends
 12 outside of Walsh, and some Walsh people.
 13 I said, listen, I'm giving you shares of
 14 my stock, and you are going to be able to convert
 15 these shares into RBMG shares and you are going to be
 16 able to get blank number of shares, and at the
 17 closing of Walsh-RBMG merger, I'm going to give you
 18 the shares and you can convert them into RBMG shares.
 19 That was in my mind. That stuck in my
 20 mind, and to this day that's in my mind.
 21 The S4 was a document that was prepared
 22 by my attorneys. There were certain things in the
 23 document that were going to be done once the merger
 24 took place. The merger did not take place. I was
 25 not giving up shares of my company to people if there

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1 was going to be no merger.
 2 Q The S4, what is that document?
 3 A The S4 was going to be the merger
 4 agreement filed with the SEC by RBMG.
 5 Q I'm not sure I understand why you
 6 testified in the Citiscape deposition that Bette Ann
 7 owned five percent of the stock if that was not the
 8 case.
 9 A I also testified in that deposition that
 10 John Arbendorf was a board member, Bill Biggs was a
 11 board member and Jill Walsh was a board member, and
 12 they weren't.
 13 There was a period of time that was very
 14 difficult from '97 to this period of time. A lot of
 15 things stuck in my head. These people were getting
 16 that stock. There is no question they were getting
 17 the stock. I was giving them that stock. It stuck
 18 in my head. I made a mistake.
 19 Q Who else -- you said -- there were 19
 20 people you were giving it to?
 21 A That's correct.
 22 Q Was one of those D'Apolito?
 23 A Yes, it was.
 24 Q What percentage was D'Apolito going to
 25 get?

12 (Pages 42 to 45)



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Walsh - direct

<p>70</p> <p>1 Q The letter that -- the letter that you</p> <p>2 signed for which Bette was indicted as being a</p> <p>3 lulling letter to RBMG, what did that state</p> <p>4 generally?</p> <p>5 A Generally it was an update on what was</p> <p>6 happening, and again, I don't remember specifically</p> <p>7 individual letters, but generally it was -- the first</p> <p>8 one was at Greenwich's request that we get something</p> <p>9 out in the marketplace.</p> <p>10 It went on to say that we had been --</p> <p>11 there has been a fraud committed against us.</p> <p>12 Again I'm going to commingle -- I</p> <p>13 apologize, if you have them it will be easier for me</p> <p>14 to review. Do you have them available that I can</p> <p>15 review?</p> <p>16 Q The answer is yes, I can get them at the</p> <p>17 next break, not right here.</p> <p>18 A The first one, there has been a fraud.</p> <p>19 We think they are isolated. But we wanted to get</p> <p>20 something out to the marketplace to say, hey, listen,</p> <p>21 we are on top of this. We are doing it. We know</p> <p>22 what we are doing. Things are going to work.</p> <p>23 Q Why did the government think that that</p> <p>24 was a lulling letter?</p> <p>25 A I can only speculate at this time.</p>	<p>72</p> <p>1 Q Were you ever present with Bette Ann</p> <p>2 DeMola and any of her criminal lawyers other than</p> <p>3 when you were in court with them?</p> <p>4 A Yes.</p> <p>5 Q Were you ever present just the three of</p> <p>6 you?</p> <p>7 A No.</p> <p>8 Q Who was present when you were there?</p> <p>9 A I think that there was -- I think there</p> <p>10 was another attorney, a corporate attorney for the</p> <p>11 company, myself, I think Jimmy, and I think Jeff</p> <p>12 Smith and Al DeCotiis.</p> <p>13 Q And was there a discussion with Bette</p> <p>14 Ann about the events that had occurred?</p> <p>15 A Yes.</p> <p>16 Q And what did Bette Ann DeMola tell her</p> <p>17 lawyers?</p> <p>18 A That she -- this was crazy --</p> <p>19 MR. MAGNANINI: Wait.</p> <p>20 THE WITNESS: I'm sorry.</p> <p>21 MR. MAGNANINI: You're saying a</p> <p>22 corporate lawyer for Walsh Securities was present?</p> <p>23 THE WITNESS: John Oberdorf.</p> <p>24 MR. KOTT: Can't see it, Bob.</p> <p>25 MR. MAGNANINI: I don't think they had a</p>
<p>71</p> <p>1 Q Go ahead.</p> <p>2 A It was that we were trying to deceive</p> <p>3 Greenwich and RBMG.</p> <p>4 Q In what way?</p> <p>5 A That we weren't part of anything or</p> <p>6 Bette Ann DeMola wasn't part of anything.</p> <p>7 Q So that way the merger with RBMG would</p> <p>8 be completed, is that correct?</p> <p>9 A Is that what their feeling was?</p> <p>10 Q Was that the theory of the prosecutor?</p> <p>11 MR. MAGNANINI: Objection to form. He</p> <p>12 doesn't know what the prosecutor's theory was going</p> <p>13 to be.</p> <p>14 A From what I heard, David, that's it.</p> <p>15 Q Let's deal with that. From what you</p> <p>16 heard.</p> <p>17 You mean what you heard from the federal</p> <p>18 prosecutor?</p> <p>19 A I'm not sure if I heard that from the</p> <p>20 federal prosecutor, I'm not sure if I heard that from</p> <p>21 somebody, if that was my understanding.</p> <p>22 MR. MAGNANINI: I'm your attorney.</p> <p>23 Don't talk to me.</p> <p>24 A If that's an okay way to put it, my</p> <p>25 understanding.</p>	<p>73</p> <p>1 joint -- I don't think there was. Give me a minute.</p> <p>2 (Pause.)</p> <p>3 MR. MAGNANINI: All right, go question</p> <p>4 by question.</p> <p>5 MR. KOTT: Read back to Mr. Walsh what</p> <p>6 my well stated question was.</p> <p>7 (Record read.)</p> <p>8 MR. MAGNANINI: I'll object to the form</p> <p>9 of the question and the line of the questioning,</p> <p>10 which is outside of the scope of the 30(b)(6) notice.</p> <p>11 You already answered that.</p> <p>12 A She said it was crazy. This was in --</p> <p>13 when Mr. Smith was putting together his defenses to</p> <p>14 go in to get this dismissed.</p> <p>15 We were going over, quote unquote, the</p> <p>16 lulling letters.</p> <p>17 John Oberdorf was present, because John</p> <p>18 was the author of some of these letters, in</p> <p>19 conjunction with Mr. Chertoff and Mr. Magnanini.</p> <p>20 So going through the factual basis of</p> <p>21 what the letters were, as far as who drafted them,</p> <p>22 who saw them, who were involved with them, it was</p> <p>23 going over my basis, going over with Jeff, and</p> <p>24 helping or listening to Jeff explain what his basis</p> <p>25 was going to be for his defense.</p>

19 (Pages 70 to 73)

Walsh-direct

<p>150</p> <p>1 clear on this. Let's go back to Citiscape.</p> <p>2 Mr. Kott, when you're selling loans to</p> <p>3 The Money Store, you are selling those loans to their</p> <p>4 underwriting guidelines.</p> <p>5 Mr. Moeller or anybody else can't waive</p> <p>6 conditions or change underwriting guidelines on</p> <p>7 behalf of The Money Store.</p> <p>8 If a loan is going to be bought by the</p> <p>9 Money Store, and the guidelines come in and it's a</p> <p>10 Money Store loan, those guidelines can't be changed</p> <p>11 and the Money Store will not buy those loans.</p> <p>12 Will somebody else potentially buy it</p> <p>13 because there is another guideline fit for another</p> <p>14 investor? Sure.</p> <p>15 The willy-nilliness of these depositions</p> <p>16 and throwing stuff against the wall is unspeakable.</p> <p>17 Q Stay with me.</p> <p>18 A I am.</p> <p>19 Q I'm asking you a somewhat narrow</p> <p>20 question.</p> <p>21 Did Bette Ann DeMola ever vary from</p> <p>22 underwriting guidelines? That is, have the company</p> <p>23 accept the loan that otherwise would not be accepted</p> <p>24 under the underwriting guidelines?</p> <p>25 MR. MAGNANINI: Objection.</p>	<p>152</p> <p>1 A I'm not sure if she did it along those</p> <p>2 lines, or she went to Paul DelRosso and said, Paul,</p> <p>3 there is a condition in the file on this loan. Do we</p> <p>4 need this condition?</p> <p>5 Paul would make the ultimate decision.</p> <p>6 Q I want to make sure I understand what</p> <p>7 Walsh Securities' position is.</p> <p>8 You saw a number of witnesses, a great</p> <p>9 number said that Bette Ann DeMola would have the</p> <p>10 company accept loans that otherwise were not</p> <p>11 acceptable to the company.</p> <p>12 MR. MAGNANINI: Objection.</p> <p>13 Q Do you have any information about</p> <p>14 whether that is true or that is false?</p> <p>15 A To my knowledge that is not a true</p> <p>16 statement.</p> <p>17 Q Have you discussed that issue with Bette</p> <p>18 Ann DeMola?</p> <p>19 A I've discussed it with Bette Ann, I</p> <p>20 discussed it with Arnold Cohen, and I discussed it</p> <p>21 with Fred Schlesinger.</p> <p>22 Q Did you also read about when Greenwich</p> <p>23 was coming down to look at some loan files and</p> <p>24 someone was cleansing the files? Do you know what</p> <p>25 I'm referring to?</p>
<p>151</p> <p>1 You can answer.</p> <p>2 A I don't have an answer to that.</p> <p>3 Q And why do you not know how to answer</p> <p>4 that?</p> <p>5 A Bette Ann DeMola accept the loan -- I</p> <p>6 don't know if that's coming in from a participant and</p> <p>7 a loan came in -- let me -- I don't know how to</p> <p>8 answer that, I'm sorry.</p> <p>9 Q Let me try it a different way.</p> <p>10 Bette Ann DeMola was not in</p> <p>11 underwriting, is that true?</p> <p>12 A Correct.</p> <p>13 Q The underwriting was a different</p> <p>14 department, right?</p> <p>15 A Correct.</p> <p>16 Q Did Bette Ann DeMola ever play any part</p> <p>17 in underwriting any loan that Walsh made?</p> <p>18 A No, she did not.</p> <p>19 Q Did Bette Ann ever influence anyone at</p> <p>20 the underwriting department about any loan?</p> <p>21 A Define influence, if you don't mind.</p> <p>22 Q Interact?</p> <p>23 A Yes.</p> <p>24 Q Suggest that they ought to accept a loan</p> <p>25 that the underwriting department was hesitant?</p>	<p>153</p> <p>1 A I do.</p> <p>2 Q Do you have any information as to</p> <p>3 whether that occurred?</p> <p>4 A Specifically that event, I don't know</p> <p>5 what Kellie O'Neill is talking about. But there is</p> <p>6 something called post closing in a mortgage company.</p> <p>7 At a closing, executed documents are</p> <p>8 done at a closing. Your note is signed, your</p> <p>9 mortgage is signed, you're getting various different</p> <p>10 documents that may have been brought to the closing.</p> <p>11 Those documents then come back to the</p> <p>12 mortgage company. The originals go to the warehouse</p> <p>13 bank. They go to the trustee.</p> <p>14 The other documents come in and they are</p> <p>15 photo copied and those documents are put into the</p> <p>16 underwriting file.</p> <p>17 When those documents are put into the</p> <p>18 underwriting file, the older documents are pulled</p> <p>19 out, like the unsigned notes, all kinds of different</p> <p>20 various things. This happens on a daily basis.</p> <p>21 We had ten post closures whose functions</p> <p>22 were that job. From time to time they got</p> <p>23 overloaded. We had too much loans coming in at once.</p> <p>24 If The Money Store was coming in to take</p> <p>25 a look and buying quite a few loans, yes, we had</p>

39 (Pages 150 to 153)

Walsh - direct

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|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p style="text-align: right;">154</p> <p>1 additional staff members sitting down to help the</p> <p>2 post closures take out documents that were notes that</p> <p>3 were unsigned, various different over components of</p> <p>4 the file that would need to be cleaned, and to put in</p> <p>5 photocopies of executed notes.</p> <p>6 Q Would Bette Ann DeMola be involved in</p> <p>7 that process?</p> <p>8 A Bette Ann being involved, and again</p> <p>9 could she have been sitting at a table when that took</p> <p>10 place? Sure.</p> <p>11 Q Why would she, in her position, be</p> <p>12 involved in that process?</p> <p>13 MR. MAGNANINI: Objection to form.</p> <p>14 Go ahead.</p> <p>15 A At times most people in the company,</p> <p>16 Arnold Cohen would pitch up, get his hands dirty if</p> <p>17 need be.</p> <p>18 Was Bette Ann DeMola actually working in</p> <p>19 the files? I don't think so. Could she have been in</p> <p>20 a room when some of this was happening? Yes.</p> <p>21 Was she directing the activities? No,</p> <p>22 she was not.</p> <p>23 Q Did Walsh buy back -- withdrawn.</p> <p>24 We are talking about, as I understand</p> <p>25 it -- withdrawn.</p> | <p style="text-align: right;">156</p> <p>1 respect to those 140 loans, Walsh would have no claim</p> <p>2 for damages other than a claim for the residuals?</p> <p>3 MR. MAGNANINI: Objection to form.</p> <p>4 Calls for a legal conclusion.</p> <p>5 A What does that mean?</p> <p>6 Q That means you answer the question.</p> <p>7 MR. MAGNANINI: I'm objecting that he's</p> <p>8 asking about legal damage theories, but it's a fact</p> <p>9 question. There is no privilege being asserted. You</p> <p>10 can answer.</p> <p>11 A Other than the residuals, that's</p> <p>12 correct.</p> <p>13 Q That's correct?</p> <p>14 A That's correct.</p> <p>15 Q The 80 loans that Walsh currently owns,</p> <p>16 were all 80 of those purchased back from someone?</p> <p>17 A Yes.</p> <p>18 Q From whom were they purchased?</p> <p>19 A They were purchased from The Money</p> <p>20 Store, Citiscape, judgment and securities.</p> <p>21 Q What do you mean by securities?</p> <p>22 A Walsh had formed securities, mortgage</p> <p>23 backed securities, and sold them. We formed about a</p> <p>24 billion dollars worth of securities.</p> <p>25 Included in the securities, I think that</p> |
| <p style="text-align: right;">155</p> <p>1 How many loans is Walsh making claims on</p> <p>2 in this case? How many loans are we talking about?</p> <p>3 A I think approximately 226.</p> <p>4 Q At this moment, how many of those loans</p> <p>5 are actually owned by Walsh?</p> <p>6 A I think approximately 80-ish, eight oh.</p> <p>7 Q What is the principal amount of those</p> <p>8 loans, those 80 loans?</p> <p>9 A Maybe about 8.5 to \$9 million.</p> <p>10 Q The other approximate 140 loans, who</p> <p>11 owns those?</p> <p>12 A They are probably all gone by now.</p> <p>13 Q What do you mean by that?</p> <p>14 A They probably either have been</p> <p>15 foreclosed on through the securities.</p> <p>16 Q Through the securities?</p> <p>17 A They were part of the security.</p> <p>18 Q Okay.</p> <p>19 So with respect to the approximate 140</p> <p>20 loans that Walsh sold and never repurchased, those</p> <p>21 are gone, right?</p> <p>22 A But our residual is gone, too.</p> <p>23 Q We'll get to that.</p> <p>24 A Yes, okay.</p> <p>25 Q But would you agree with me that with</p> | <p style="text-align: right;">157</p> <p>1 there was about \$19 million worth of the fraudulent</p> <p>2 loans were part of the securities.</p> <p>3 Q So how many loans were purchased back</p> <p>4 from securities?</p> <p>5 A A little over \$2 million.</p> <p>6 Q How many different loans of the 80?</p> <p>7 A How many were --</p> <p>8 Q You said there were 80 loans that came</p> <p>9 from three sources, some from the Citiscape judgment,</p> <p>10 some from The Money Store and some from securities.</p> <p>11 A Yes.</p> <p>12 Q Of the 80 loans, how many of that 80</p> <p>13 were purchased from the securities?</p> <p>14 A 19.</p> <p>15 Q How many were purchased from The Money</p> <p>16 Store?</p> <p>17 A 23, 24, 25.</p> <p>18 Q Approximately how many from Citiscape?</p> <p>19 A 32.</p> <p>20 MR. MAGNANINI: You have those charts we</p> <p>21 gave you, plus this isn't a memory test. I think</p> <p>22 they sum up what he's testifying to.</p> <p>23 Q And why did Walsh repurchase the loans</p> <p>24 from The Money Store?</p> <p>25 A We had an obligation to repurchase them.</p> |

40 (Pages 154 to 157)

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY
CIVIL NO. 97-3496 (DRD)

WALSH SECURITIES,
INC.,

Plaintiff,

v.

CRISTO PROPERTY
MANAGEMENT, LTD., a/k/a
G.J.L. LIMITED; DEK
HOMES OF NEW JERSEY,
INC.; OAKWOOD
PROPERTIES, INC.;
NATIONAL HOME FUNDING,
INC.; CAPITAL ASSETS
PROPERTY MANAGEMENT &
INVESTMENT CO., INC.;
CAPITAL ASSETS
PROPERTY MANAGEMENT,
L.L.C.; WILLIAM KANE;
GARY GRIESER; ROBERT
SKOWRENSKI, II;
RICHARD CALANNI;
RICHARD DI BENEDETTO;
JAMES R. BROWN; THOMAS
BRODO; ROLAND PIERSON;
STANLEY YACKER, ESQ.;
MICHAEL ALFIERI, ESQ.;
RICHARD PEPSNY, ESQ.;
ANTHONY M. CICALESE,
ESQ.; LAWRENCE CUZZI;
ANTHONY D'APOLITO; DAP
CONSULTING, INC.;
COMMONWEALTH LAND
TITLE INSURANCE CO.;
NATIONS TITLE
INSURANCE OF NEW YORK,
INC.;

COPY

CONTINUED
DEPOSITION UPON
ORAL EXAMINATION
OF
ROBERT C. WALSH

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2 :
3 FIDELITY NATIONAL :
4 TITLE INSURANCE CO. OF :
5 NEW JERSEY; COASTAL :
6 TITLE AGENCY; DONNA :
7 PEPSNY; WEICHERT :
8 REALTORS and VECCHIO :
9 REALTY, INC. D/b/a :
10 MURPHY REALTY BETTER :
11 HOMES AND GARDENS, :
12 Defendants. :
13 :
14 :
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TRANSCRIPT of the stenographic notes of HOWARD A. RAPPAPORT, a Notary Public and Certified Shorthand Reporter of the State of New Jersey, Certificate No. XI00416, taken at the offices of MC CARTER & ENGLISH, LLP, Four Gateway Center, Newark, New Jersey, on Friday, April 23, 2010, commencing at 8:35 a.m.

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1 ROBERT C. WALSH, having been previously
2 sworn, testifies as follows:
3 CROSS-EXAMINATION (CONTINUING)
4 BY MR. HAYES:
5 Q Good morning, Mr. Walsh.
6 A Good morning.
7 Q You recall you were sworn at the last
8 deposition and that oath continues this morning?
9 A I do.
10 Q At the last deposition, Mr. Walsh, you
11 indicated that there were any number of things that
12 you were going to do in response to questions-between
13 that deposition and before this morning.
14 Do you recall that?
15 A I do.
16 Q Did you take steps to try to answer some
17 of the questions that you could not answer at the
18 last deposition?
19 A I did.
20 Q Can you tell me what you did between the
21 last deposition and today to further prepare for
22 today's deposition other than speaking with your
23 attorneys?
24 MR. STONE: You can answer that
25 question, other than conversations with counsel.

2 (Pages 263 to 266)

Walsh - cross

	295		297
1	reports were you looked at, Mr. Walsh?	1	primarily drive-by appraisals from an outside
2	A It varied.	2	appraisal firm?
3	Q How big was the file you looked at?	3	A That's correct.
4	A Maybe a couple hundred pages.	4	Q And the review appraisals done on any
5	Q Would you be able to locate that file	5	particular piece of property were not put in the
6	again relatively easily?	6	Walsh file for that particular loan, but were put,
7	A I believe I would.	7	instead, in the quality control file?
8	Q What I would like you to do, if you	8	A That's right.
9	would, if you could just locate that file so that	9	Q So we would not expect to see any review
10	your counsel can provide us with the Bates numbers --	10	appraisal documents at all in any Walsh loan file?
11	A Sure.	11	MR. STONE: Objection to form, about
12	Q -- that were on what you looked at	12	what you would expect to see.
13	between the last deposition and today.	13	You can answer.
14	A Sure.	14	A No, that's not correct.
15	Q Is that okay with you?	15	Q Why not?
16	A Um-hum.	16	A Any loan over 250,000 required a review
17	MR. STONE: Write us a letter and we'll	17	appraisal before it was funded. You would see
18	take it under advisement.	18	that -- expect to see that in a file.
19	MR. HAYES: Do you have an objection to	19	Q In the loan file?
20	him doing that?	20	A Correct.
21	MR. STONE: I don't have an objection to	21	Q How about loans under \$250,000, would
22	him looking at it.	22	you expect me to find any review appraisal
23	If you have a request for us to provide	23	documentation in any loan file under \$250,000 based
24	you with something, I would like a letter requesting	24	on your review?
25	it.	25	A You may.
	296		298
1	Q One of the things you were going to do	1	Q Mr. Walsh, were there any additional
2	last time, Mr. Walsh, was to check to see where	2	changes that you haven't already testified about that
3	review appraisals were kept at Walsh.	3	were made at Walsh as a result of the discovery of
4	Did you do that?	4	the fraud?
5	A I did.	5	A Not that I'm aware of.
6	Q What did you find?	6	Q Do you believe that you have conducted
7	A In quality control.	7	as exhaustive a search as you can to determine if
8	Q Did you see actual review appraisals in	8	there were any other changes?
9	the file that you reviewed prior to today's	9	A I'm not 100 percent sure.
10	deposition?	10	Q What more do you think you could do to
11	A There were some there, yes.	11	determine what other changes were made?
12	Q And who was doing the review appraisals?	12	A Maybe look at one or two other sources
13	A Quality control.	13	of files.
14	Q Was a recommendation made to you at any	14	Q What would those sources be?
15	time prior to the fraud that review appraisals should	15	A Additional loan files after the
16	be done by an outside appraisal firm or a group of	16	closings.
17	outside appraisers?	17	Q Why didn't you do that before this
18	A They were being done by an outside	18	deposition?
19	appraisal firm.	19	A I attempted to do as much as I could.
20	Q Did you just indicate a moment ago that	20	Q You didn't have enough time?
21	the review appraisals were done by quality control?	21	A Correct.
22	A If that's what I stated, yes. But my	22	Q Is that basically it?
23	comment meant to be they were ordering them.	23	A Right.
24	Q Okay.	24	Q Is there anyone else you believe you
25	So quality control was ordering	25	could speak to on this issue that you haven't already

10 (Pages 295 to 298)

Walsh - cross

<p style="text-align: right;">475</p> <p>1 the fraud, considered itself to be overburdened?</p> <p>2 A After the fact, yes. Prior, no.</p> <p>3 Q Would Jim Walsh have played any role in</p> <p>4 acting upon recommendations made by quality control?</p> <p>5 A Arnold.</p> <p>6 Q I understand. But would Jim have played</p> <p>7 a role?</p> <p>8 A It's possible.</p> <p>9 Q Is that the type of thing that would be</p> <p>10 reported not only to Arnold, but also to Jim?</p> <p>11 A It would be.</p> <p>12 Q My understanding from prior deposition</p> <p>13 of you, Jim was the outside guy handling the</p> <p>14 relationships with people loaning you money and the</p> <p>15 secondary market, is that correct?</p> <p>16 A That's correct.</p> <p>17 Q Would it be incorrect if someone were to</p> <p>18 say that Jim Walsh controlled the quality control</p> <p>19 procedures?</p> <p>20 A I'm not sure in what context the</p> <p>21 statement would be.</p> <p>22 Q Did Jim play any role in the quality</p> <p>23 control procedures at Walsh?</p> <p>24 A Quality control set the procedures.</p> <p>25 Q Did Jim play any role in what those</p>	<p style="text-align: right;">477</p> <p>1 Before you showed us this, it seems that</p> <p>2 it's not in evidence.</p> <p>3 Having seen this, I would say it</p> <p>4 mischaracterizes the evidence.</p> <p>5 MR. HAYES: Let's try to avoid any</p> <p>6 mischaracterization.</p> <p>7 Q Mr. Walsh, I put before you a document</p> <p>8 marked as Walsh-21.</p> <p>9 Do you have it before you?</p> <p>10 (Exhibit handed to the witness.)</p> <p>11 A I do.</p> <p>12 Q Okay.</p> <p>13 Is this document, Mr. Walsh, correctly</p> <p>14 reflecting the fact that prior to the merger you had</p> <p>15 49.56 shares of class A common stock of Walsh?</p> <p>16 A Prior to the merger? That's -- this</p> <p>17 document is reflective of what would have happened</p> <p>18 with the merger, is my understanding of what this</p> <p>19 document is.</p> <p>20 Q Prior to the merger, how many shares of</p> <p>21 stock did you have, class A common stock, in Walsh?</p> <p>22 A I had -- assuming that the 25 shares</p> <p>23 were exercised by Greenwich, there were 75 shares</p> <p>24 remaining, of which I had 65 and the girls each had</p> <p>25 five.</p>
<p style="text-align: right;">476</p> <p>1 procedures were?</p> <p>2 A He may have. I'm not sure.</p> <p>3 Q Did Bette Ann?</p> <p>4 A No.</p> <p>5 Q She wouldn't have anything at all to do</p> <p>6 with quality control?</p> <p>7 A She may understand what was happening on</p> <p>8 some of the things that were happening within quality</p> <p>9 control. She didn't set procedures.</p> <p>10 Q Would Mr. Treubor have interacted with</p> <p>11 Bette Ann on quality control issues?</p> <p>12 A I'm not sure.</p> <p>13 Q Mr. Walsh, are you aware that as part of</p> <p>14 the securities filing in connection with the merger,</p> <p>15 Ms. DeMola was identified as an executive officer and</p> <p>16 director?</p> <p>17 A I was not.</p> <p>18 MR. STONE: Can I hear the question</p> <p>19 again?</p> <p>20 (Record read.)</p> <p>21 (Exhibit marked for identification</p> <p>22 Robert Walsh-21, WSI common stock ownership, SEC</p> <p>23 filing.)</p> <p>24 MR. STONE: I'm going to object to the</p> <p>25 form of the question.</p>	<p style="text-align: right;">478</p> <p>1 Q The girls are Melissa and Stephanie?</p> <p>2 A Yes.</p> <p>3 Q Their stock was held in trusts?</p> <p>4 A Correct.</p> <p>5 Q Now, I believe you testified that you</p> <p>6 have acknowledged previously that the SEC filing</p> <p>7 incorrectly identified Bette Ann and James as owners</p> <p>8 of the company, correct?</p> <p>9 A That's correct.</p> <p>10 Q And that that got through you and got</p> <p>11 through your lawyers without being detected, correct?</p> <p>12 A Correct.</p> <p>13 Q And this particular document also</p> <p>14 indicates, does it not, that the individuals</p> <p>15 identified on this page are all directors and</p> <p>16 executive officers of Walsh?</p> <p>17 MR. STONE: Object. That's not what it</p> <p>18 says as far as I understand it.</p> <p>19 You can answer.</p> <p>20 A I don't know.</p> <p>21 Q Do you see, Mr. Walsh, that the last</p> <p>22 line of this document totals the numbers above and</p> <p>23 identifies the individuals who are directors and</p> <p>24 executive officers as a group?</p> <p>25 A That's what it says, correct.</p>

55 (Pages 475 to 478)

Walsh - cross

<p>479</p> <p>1 Q Is that something else that got through 2 not only you, but your lawyers? 3 A Correct. 4 Q One of the things that you indicated at 5 the last deposition, Mr. Walsh, you were attempting 6 to get the corporate records from your prior counsel. 7 Were you successful in doing that? 8 A They are looking in storage. They are 9 looking wherever they store the records. 10 Q Since the last deposition, was some 11 follow-up undertaken with the law firm to get those 12 records? 13 A Yes. 14 Q But as of today they still haven't found 15 them? 16 A They haven't gotten back to us that they 17 found them, but they were looking. 18 Q Did Ms. DeMola participate in any of the 19 discussions with RBMG about the merger? 20 A She was interviewed by them, but she had 21 no discussions with them. 22 Q What was the purpose for the interview? 23 A They interviewed her on production. 24 Q Production of loans? 25 A Correct.</p>	<p>481</p> <p>1 at these percentages once the transaction happen, 2 Q Did you see anything, Mr. Walsh, in the 3 securities filing that indicated that those transfers 4 were something that was going to happen as opposed to 5 a representation as to the current status of 6 ownership of the company? 7 A I did not. 8 Q Have you been able to locate the 9 disclosure document that was supplied to RBMG in 10 connection with the ownership in the company? 11 A I'm still looking at it. I found a 12 draft of the agreement, and I'm still waiting the 13 firm's. 14 Q I'm not asking about the merger. 15 A I'm sorry. 16 Q The merger agreement references the fact 17 that Walsh supplied certain disclosure statements to 18 Walsh before the merger agreement was entered into. 19 What I'm asking you is, have you been 20 able to locate those disclosure statements? 21 A I have not. 22 Q Have you made an effort to find it? 23 A Yes. 24 Q Why? 25 A You asked for it.</p>
<p>480</p> <p>1 Q Who else did they interview? 2 A Arnold Cohen, Pete Treubor, Jim Walsh, 3 Fred Schlesinger, Paul DeRosso, Bob Gulga, who was 4 the accounting person. I'm not sure you heard his 5 name before. G-u-l-g-a. Vicky Bernhardt, and there 6 may have been another person. 7 Q In addition to your brother and your 8 sister and Mr. D'Apolito and Mr. Cohen, is my 9 recollection correct there were a group of other 10 individuals to whom you intended to give stock if the 11 merger went through? 12 A Correct. 13 Q Why were they not listed on the filing 14 with the Securities and Exchange Commission? 15 MR. STONE: Objection, calls for a legal 16 conclusion. 17 You can answer. 18 A I'm not sure. 19 Q You stand by your story that this 20 particular document was a mistake because it 21 reflected what you were going to do if the merger 22 went through? 23 A Correct. I never assigned -- I never 24 signed over shares to anybody. This was my intent 25 for the people to be able to acquire shares of RBMG</p>	<p>482</p> <p>1 Q I don't remember asking for it before 2 today. 3 A Yes, last time, I believe. 4 Q The disclosure statement or the merger 5 agreement? 6 A I think you asked for both. 7 Q Where have you looked for that? 8 A John Oberdorf, the attorney handling it. 9 Q The same person you're trying to get the 10 corporate records from? 11 A Correct. 12 Q Has he provided you with any response? 13 A He's checking his warehouse or his 14 storage. 15 Q Who is Sandra Zwickel? 16 A She probably still is, but at the time 17 she was a legal assistant to Fred Schlesinger. 18 Q She was not a lawyer? 19 A She was a lawyer. 20 Q Would you consider her to be in-house 21 counsel at Walsh? 22 A No, I -- well, Fred Schlesinger was 23 general counsel. She worked for him. 24 Q Did Ms. Zwickel play any role in the 25 submission of closing protection letter claims, to</p>

56 (Pages 479 to 482)

1 UNITED STATES DISTRICT COURT
2 DISTRICT OF NEW JERSEY
3 Civil Action No. 97-cv-3496 (DRD) (MAS)
4 WALSH SECURITIES, INC., :
5 Plaintiff, : DEPOSITION OF:
6 v. : ROBERT C. WALSH
7 (VOLUME III)
8 CRISTO PROPERTY MANAGEMENT, LTD., :
9 a/k/a G.J.L. LIMITED; DEK HOMES
10 OF NEW JERSEY, INC.; OAKWOOD :
11 PROPERTIES, INC.; NATIONAL HOME
12 FUNDING, INC.; CAPITAL ASSETS :
13 PROPERTY MANAGEMENT & INVESTMENT
14 CO., INC.; CAPITAL ASSETS PROPERTY:
15 MANAGEMENT, L.L.C.; WILLIAM KANE;
16 GARY GRIESER; ROBERT SKOWRENSKI, :
17 II; RICHARD CALANNI; RICHARD
18 DiBENEDETTO; JAMES R. BROWN; :
19 THOMAS BRODO; ROLAND PIERSON;
20 STANLEY YACKER, ESQ.; MICHAEL :
21 ALFIERI, ESQ.; RICHARD PEPSNY,
22 ESQ.; ANTHONY M. CICALESE, ESQ.; :
23 LAWRENCE CUZZI; ANTHONY D'APOLITO;
24 DAP CONSULTING, INC.; COMMONWEALTH:
25 LAND TITLE INSURANCE CO.; NATIONS
TITLE INSURANCE OF NEW YORK, INC.;:
FIDELITY NATIONAL TITLE INSURANCE
CO. OF NEW JERSEY; COASTAL TITLE :
AGENCY; DONNA PEPSNY; WEICHERT
REALTORS and VECCHIO REALTY, INC. :
d/b/a MURPHY REALTY BETTER HOMES
AND GARDENS, :
:

Defendants.

20 X-----X
21 TRANSCRIPT of testimony as taken by and
22 before CHERYL McGANN, a Certified Court Reporter
23 of the State of New Jersey, at the offices of
24 McCARTER & ENGLISH, LLP, Four Gateway Center,
25 Newark, New Jersey, on Friday, September 30, 2011,
commencing at 9:14 a.m.
Job No. NJ356367

1 A. Yes.

2 Q. Do you acknowledge Ms. Demola ever became a
3 shareholder?

4 A. I acknowledge that the intent was to give her
5 the shares.

6 Q. That's not my question.

7 A. I'm not sure if she was or if she's not.

8 Q. And is it your testimony that the date that
9 is on that Stock Certificate which has Ms. Demola's
10 name on it is incorrect?

11 A. Yes.

12 Q. And based on that date, you're telling us
13 that we can't rely on that Stock Certificate?

14 A. That's correct.

15 MR. HAYES: You want to pick up, and
16 I'll look through these.

17 FURTHER EXAMINATION BY MR. KOTT:

18 Q. I'm going to just, if it's okay with you,
19 jump around a little which we haven't been doing.

20 A. Sure.

21 MR. MAGNANINI: Just let the record
22 reflect I don't agree with the not jumping around,
23 but that's okay.

24 MR. KOTT: Okay. That's fine.

25 Q. When the loans were securitized, were the

1 loans reviewed by the purchasers?

2 A. Mr. Kott, the transaction, and I'll be brief
3 on it --

4 Q. Right.

5 A. -- the first thing that would be generated
6 would be a tape that shows all the characteristics
7 of the loans.

8 Q. Right.

9 A. That would be given to the "underwriter" of
10 that security.

11 Q. Okay.

12 A. The underwriter would be the one that was
13 representing the trust. The trust and the
14 underwriter would have those reviewed by Standard &
15 Poor's to go through their calculations to come up
16 with subordination levels. The underwriter's
17 responsibility was to underwrite those particular
18 loans.

19 Q. Okay, and did the underwriter review each and
20 every loan file that it was purchasing or do a
21 sampling?

22 A. Well, they weren't purchasing them, okay, and
23 again, it's semantics. I just want to try to get
24 the path clear.

25 The trust was -- we were putting the loans in

1 a trust to form a security.

2 Q. Right.

3 A. So there was no purchase by the underwriter.

4 Q. Okay. Did the underwriter or someone on
5 behalf of the underwriter review each and every loan
6 that went into the trust, or did they do a sampling
7 of the loans?

8 A. I think they did -- it varied. I think some
9 of them they did a sampling, and some of them they
10 actually did the full underwriting. I think it
11 depended on who the underwriter was.

12 Q. And the loans we're talking about in this
13 case, who were the underwriters?

14 A. The last two transactions were Smith Barney.

15 Q. Right.

16 A. DLJ I believe underwrote two of them, and
17 Greenwich underwrote the first one.

18 Q. And which of those underwriters would have
19 reviewed every loan, and which would have done
20 samplings?

21 A. From what I recall, DLJ did the underwriting
22 on all; and Smith Barney did a random sampling.

23 Q. And how about Greenwich?

24 A. You know, I don't remember on that one.

25 Q. Okay. Was Greenwich going to profit as a

1 Q. Okay. There has also been a lot of talk,
2 Mr. Walsh, about the 6040 deeds. Are you familiar
3 with those?

4 A. I am.

5 Q. Are you agree with me, sir, that the transfer
6 of an interest in the borrower's property after a
7 mortgage on that property does not diminish the
8 ability of the lender to foreclose that property?

9 MR. MAGNANINI: Objection to form.

10 It calls for a legal conclusion.

11 A. I don't know the answer to that.

12 Q. Do you have any reason to believe that if
13 Bob Walsh has a property with a mortgage on it and
14 he conveys the property to Ed Hayes without paying
15 off the mortgage that David Kott, the lender, cannot
16 foreclose that mortgage?

17 A. I don't know.

18 MR. MAGNANINI: It depends when things
19 are filed, anyway.

20 Objection to form.

21 Q. Did Smith Barney conduct the underwriting
22 review on all of the loans that went into securities
23 or just a certain number of them?

24 A. Again, I think what I just went over, I think
25 Smith Barney did a sampling. I think DLJ did the

1 full underwrite.

2 Q. So is it your recollection that DLJ looked
3 not at every collateral file but every underwriting
4 file?

5 A. Yes.

6 Q. And that Smith Barney did a sampling of the
7 underwriting files?

8 A. Correct.

9 Q. Do you know what that sampling was?

10 A. I'd only be guessing.

11 Q. Does Walsh need to supply to a secondary
12 mortgage -- a secondary purchaser, secondary market
13 purchaser, a copy of the collateral documents?

14 A. Yes.

15 Q. Does it need to supply a copy of the title
16 policy?

17 A. To my knowledge, yes.

18 Q. Does it need to supply a copy of any and all
19 assignments?

20 A. To my knowledge, yes.

21 Q. Now, you're aware, are you not, that there
22 were substantial delays in the recording of some of
23 the documents that are a part of or some of the
24 mortgages that are a part of this fraud?

25 A. Yeah. I think that there was a mass amount,

1 Q. Anything is possible. I'm just asking if you
2 can name anyone.

3 A. No, I cannot.

4 Q. Remember you had testified about the review
5 appraisals not being in the files?

6 A. Yes.

7 Q. Is there any way that somebody reviewing
8 these files, be it an underwriter or a purchaser,
9 would have knowledge of the review appraisal?

10 A. If the review appraisal was over the 250,000,
11 I think what I had mentioned last time was that
12 there was two. There was a preclosing, and that
13 would be for over \$250,000 a review was done. That
14 would be in the file. Anything that was quality
15 control would not be in the file.

16 Q. Did you ever testify before the Grand Jury?

17 A. You're running out of questions to ask.

18 Q. I know, I asked you that.

19 MR. MAGNANINI: Objection, asked and
20 answered.

21 A. Right.

22 Q. You know the lulling letters that form the
23 basis for the indictment of Betty Ann Demola?

24 A. I do.

25 Q. Did you actually physically sign those

EXHIBIT C

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY
CIVIL NO. 97-3407 (DRD)

WALSH SECURITIES,
INC.,

Plaintiff,

v.

CRISTO PROPERTY
MANAGEMENT, LTD.,
et al,

COPY

DEPOSITION UPON
ORAL EXAMINATION
OF
ELIZABETH ANN
DEMOLA

T R A N S C R I P T of the stenographic

notes of HOWARD A. RAPPAPORT, a Notary Public and
Certified Shorthand Reporter of the State of
New Jersey, Certificate No. XI00416, taken at the
offices of MC CARTER & ENGLISH, LLP, Four Gateway
Center, Newark, New Jersey, on Friday,
June 11, 2010, commencing at 9:45 a.m.

Demola - direct

<p>1 it.</p> <p>2 MR. HAYES: Is there an interview note</p> <p>3 of this conversation similar to the ones that are now</p> <p>4 the subject of the dispute with Magistrate Shipp?</p> <p>5 MR. MAGNANINI: No. Not that I'm here</p> <p>6 to testify, but I'll answer the question.</p> <p>7 Q And do you know a man named William</p> <p>8 Kane?</p> <p>9 A Yes, I do.</p> <p>10 Q How do you know Mr. Kane?</p> <p>11 A I have to think now how I know him.</p> <p>12 We called him Billy. He would come to</p> <p>13 the office. Anthony D'Apolito introduced him. He</p> <p>14 would buy houses and fix them up.</p> <p>15 I never went out socially with him or</p> <p>16 anything like that. I don't know him. I just --</p> <p>17 that's how I knew him.</p> <p>18 Q So you met him through Mr. D'Apolito?</p> <p>19 A That's correct.</p> <p>20 Q How was he introduced to you? What was</p> <p>21 the introduction?</p> <p>22 A That he bought houses and fixed them up.</p> <p>23 Q About how long before the frauds became</p> <p>24 public in the newspaper was that introduction made?</p> <p>25 A I'm not sure, it was December of '96.</p>	<p>82</p> <p>1 Q And then resold them?</p> <p>2 A Yes.</p> <p>3 Q Who told you that? Did he tell you</p> <p>4 that, Mr. Kane, or Mr. D'Apolito or someone else?</p> <p>5 A I didn't have lengthy conversations. I</p> <p>6 was introduced to him, that he was a renovator, that</p> <p>7 he would buy properties, fix them up and sell them.</p> <p>8 I think probably Anthony and he both</p> <p>9 said it when my first meeting with him was.</p> <p>10 Q Where was the first meeting, at Walsh</p> <p>11 Securities?</p> <p>12 A Yes.</p> <p>13 Q Why was Mr. Kane at Walsh Securities?</p> <p>14 A He was with Anthony. People would come</p> <p>15 in all the time.</p> <p>16 Q Mr. Kane apparently owned a company</p> <p>17 called Cristo, C-r-i-s-t-o, Properties. Are you</p> <p>18 aware of that?</p> <p>19 A Yes.</p> <p>20 Q When did you learn that Mr. Kane was the</p> <p>21 owner of Cristo Properties?</p> <p>22 A I think that's how I knew him.</p> <p>23 Q Right from the beginning?</p> <p>24 A Yes.</p> <p>25 Q Had you been -- have you read any of the</p>
<p>83</p> <p>1 Q Right.</p> <p>2 We have seen some documentation that</p> <p>3 some of the loans in this case were in approximately</p> <p>4 January of 1997. So is that the time period when you</p> <p>5 first met Mr. Kane, approximately, then?</p> <p>6 A I think it was December.</p> <p>7 MR. HAYES: '96.</p> <p>8 MR. KOTT: January, February of '96?</p> <p>9 MR. HAYES: January, February of '96.</p> <p>10 Q Assuming, as Mr. Hayes says, the loans</p> <p>11 in this case run from approximately June of '96 --</p> <p>12 MR. HAYES: January.</p> <p>13 Q Assuming that the loans in this case run</p> <p>14 approximately from January of 1996 through June of</p> <p>15 1997, about when did you meet Mr. Kane?</p> <p>16 A I think I'm wrong. I thought I met him</p> <p>17 in December of '96.</p> <p>18 Q Okay.</p> <p>19 And when you met him, whenever the first</p> <p>20 time was, you understood he was somebody who</p> <p>21 purchased properties, meaning real estate,</p> <p>22 residential properties?</p> <p>23 A Yes.</p> <p>24 Q And then resold them?</p> <p>25 A Fixed them up.</p>	<p>85</p> <p>1 testimony of witnesses in this case?</p> <p>2 A No, I never saw anything.</p> <p>3 Q Have you read any of the pleas of people</p> <p>4 who were witnesses in this case, by guilty pleas, I</p> <p>5 mean?</p> <p>6 A No.</p> <p>7 Q Has anybody told you what any of the</p> <p>8 witnesses ever said?</p> <p>9 A No. They told me they pleaded guilty.</p> <p>10 Q Has Robert Walsh ever -- withdrawn.</p> <p>11 Have you ever discussed this lawsuit</p> <p>12 with Robert Walsh?</p> <p>13 A I really haven't.</p> <p>14 Q Not at all, not one word?</p> <p>15 A No, not at all.</p> <p>16 Q Have you ever discussed even as much as</p> <p>17 one word of this lawsuit with James Walsh?</p> <p>18 A Yes.</p> <p>19 Q What were your discussions with James?</p> <p>20 A I got served with papers. I was upset,</p> <p>21 because the person that you sent lied and said we</p> <p>22 wouldn't take the papers when she tried to give it to</p> <p>23 my two daughters.</p> <p>24 Then she came on Good Friday, and she</p> <p>25 came on Easter Sunday in the middle of a party, and I</p>

22 (Pages 82 to 85)

Demola - direct

	90		92
1	I was in pretrial for seven years. It	1	the frauds became public, in June of 1997, that
2	was very traumatic.	2	Mr. Kane was associated with National Home Funding?
3	Q Let me try the question again.	3	A No.
4	Did your brother Robert or your brother	4	Q When did you find that out?
5	James at any time ever tell you that a number of	5	A When Anthony -- after Anthony came to
6	persons who said you were either aware of the frauds	6	the office and everybody started talking in the back.
7	in this case or you were involved in the frauds in	7	People in the back had known that Billy Kane worked
8	this case?	8	at National Home Funding and worked doing Cristo
9	A I'm going to be honest with you. I'm	9	Properties.
10	confused as to if lawyers told me. I can't break it	10	I wasn't aware of it.
11	down, I know it, but I'm not going to make up a lie	11	Q What do you mean, people in the back?
12	and say I'm telling you. I'm confused.	12	A Well, I --
13	I don't know if I heard it from lawyers	13	Q Bette Ann, you don't know how I'm going
14	or if I heard it from my brothers. I don't know	14	to finish the question. I might change the question
15	where I heard it from. I'm sorry.	15	in a way and then you'll give an answer that you
16	Q Did Mr. Kane have any association with a	16	don't intend to give. I've asked a lot of witnesses
17	company called National Home Funding?	17	a lot of questions over the years, so I'm capable of
18	A I found out -- just tell you what I	18	doing that. It is prudent for you to let me finish.
19	believe. I found out -- I thought they were just	19	What do you mean, a lot of people in the
20	friends. I thought they were all just friends.	20	back knew that Kane was with National Home Funding?
21	Then after the fraud was discovered I	21	A Let me say that the right way.
22	had heard he was doing loans at National Home	22	We had one big floor, 10,000 square
23	Funding. I didn't know that when it was happening.	23	feet. There were no dividers. There were little
24	I really -- they would come into the office in work	24	dividers, short ones, no tall ones.
25	clothes, like a contractor, and he would always say	25	The floor had sales people, and the
	91		93
1	his crews were here, his crews were there.	1	underwriters and the processors and everything were
2	He was always like dirty, not dirty	2	in the back.
3	dirty, like if he was working in the street.	3	So some of the other sales people
4	He brought a letter up to the company to	4	knew -- when I say the back, I don't mean the back,
5	say what good work he was doing in Asbury Park.	5	on the floor -- let me change that -- on the floor,
6	Supposedly it was from the City of Asbury.	6	knew that Billy Kane worked at National Home Funding
7	At the time, David, I had -- not	7	and at Cristo Properties.
8	David --	8	Q About how many times was Billy Kane in
9	Q David.	9	the Walsh Securities office?
10	A David. I had 45 loan officers. I had	10	A A lot.
11	18 offices. I was doing everything. I didn't -- you	11	Q What do you mean by that?
12	know, now Billy Kane is a subject. Then he was	12	A I don't remember how many times.
13	nothing. He was a nobody. It was less than two	13	Q Can you give us an estimate?
14	percent of our production.	14	A I can't. I don't know.
15	I had other companies selling me 50	15	Q Would it have been over 100 times?
16	loans a month. I didn't key into who Billy Kane was.	16	A Oh, no, not that many times.
17	I greeted everyone. I was a greeter. I threw the	17	Q Over 50 times?
18	parties. I -- that was my job.	18	A I'm thinking. It wasn't over 50.
19	But for me to really sit here and say I	19	Q Over 25 times?
20	studied what his business -- I didn't care. I didn't	20	A I don't remember. It was between 25 and
21	know who he was. I knew he renovated houses. I knew	21	50 in the course of two years.
22	from the beginning he owned Cristo Properties.	22	Q On some of those 25 to 50 times would
23	Q What I was asking --	23	you see him in the office?
24	A That wasn't the answer?	24	A I would see him there, yes.
25	Q What I was asking, were you aware before	25	Q What did you think he was doing?

24 (Pages 90 to 93)

Demola - direct

	102		104
1	Q Who was confused?	1	myself to do that. No one asked me to do that.
2	A Fred. It's like, what's going on?	2	Q Why did you take it upon yourself?
3	Q Assuming he was confused, why was he	3	A Because I was very upset.
4	asking you rather than Mr. DelRosso or, rather, one	4	Q Let me finish.
5	of the other officers?	5	Why did you take it upon yourself to do
6	A I wasn't an officer.	6	that?
7	Q Right, that's what I'm asking.	7	A I was very upset.
8	You were not an officer, right?	8	Q Why were you upset?
9	A Never.	9	A I didn't want an issue with any of the
10	Q Never an officer in the company, right?	10	files.
11	A No.	11	Q What did you think the issue was with
12	Q On the day that Mr. Schlesinger had this	12	the files?
13	conversation with you, were there officers present in	13	A The houses weren't fixed.
14	the company?	14	Q Why would that be a issue?
15	A He didn't tell me to do anything.	15	A Because they were supposed to be fixed,
16	Q Just stay with me.	16	renovated.
17	A I don't know.	17	Q What do you mean by that?
18	Q You don't know.	18	A You buy a house for \$10,000, and I'm
19	Who were the other officers in the	19	lending 100,000 on it, work should have been done to
20	company?	20	make improvements to that property.
21	A You know, I don't know. I know Arnold	21	Q What do you mean by that?
22	Cohen, C-o-h-e-n, was one.	22	A What does that mean? What do you mean?
23	Q What was Mr. Cohen's job?	23	Q Who was buying the house for \$10,000?
24	A He was a risk manager.	24	Was that Mr. Kane?
25	Q Any other officers?	25	A I don't know how much he paid for it.
	103		105
1	A My brother Jimmy. I think Jimmy was an	1	Q You are referring to Mr. Kane?
2	officer. I don't even know.	2	A Oh, yes, I'm sorry.
3	Q What did you call yourself if not an	3	Q So when Mr. Schlesinger said this to
4	officer? Were you a manager?	4	you, you were concerned that Mr. Kane had sold houses
5	A I was a manager.	5	that were not fixed up?
6	Q Were there other managers in the	6	A That's correct.
7	company?	7	Q How did you come to that conclusion?
8	A Yes.	8	A Because whatever was delivered to Fred,
9	Q Who were the other managers?	9	he said -- Fred said, it seems these houses aren't
10	A Vicky Burnhardt.	10	fixed.
11	Q What did she do?	11	Q You had loaned money on a lot of houses,
12	A Operations.	12	correct?
13	Q Okay.	13	A Excuse me?
14	A Paul DelRosso was an underwriting	14	Q Your company had loaned money on a lot
15	manager.	15	of houses, correct?
16	MR. MAGNANINI: D-e-l-r-o-s-s-o.	16	A Across the country, yes.
17	A We had another one, she quit. I don't	17	Q And a lot in New Jersey, right?
18	remember who took her position. I don't know who she	18	A Yes.
19	was.	19	Q How did you know that these were
20	Q My question is, do you know why	20	Mr. Kane's houses?
21	Mr. Schlesinger asked you rather than some other	21	A Fred told me which houses they were.
22	manager or officer?	22	Q He told you the address?
23	A I would like to clarify. Fred did not	23	A He said to me, it looks like Billy Kane
24	ask me. Besides working together, we were friends.	24	has houses he didn't do any work on. I didn't say
25	And he said -- he made a statement. I took it upon	25	that whole thing right.

27 (Pages 102 to 105)

Demola - direct

<p>1 AFTERNOON SESSION 2 (Deposition resumes at 1:35 p.m.) 3 ELIZABETH ANN DEMOLA, resumes. 4 BY MR. KOTT: 5 Q Are you ready, Ms. Demola? 6 A Yes, I am. 7 Q Ms. Demola, did Mr. Schlesinger show you 8 the subpoena? 9 A No. 10 Q Did he tell you whether he had spoken to 11 anyone else about the subpoena? 12 A No, we didn't have a conversation. 13 Q Was it your impression, though, when you 14 spoke to him, that you were the first person he was 15 speaking to about the subpoena? 16 A I really don't know. I don't remember 17 my impression. 18 Q Did he tell you how he knew the houses 19 weren't fixed up? 20 A No. 21 Q How would he know that? 22 A I don't know. I can't tell you what he 23 thought. 24 Q I understand that. 25 A I think there was something -- this is</p>	<p>114 1 Q You knew that your company was making 2 loans on the homes -- 3 A Yes. 4 Q -- that he was selling? 5 A Yes. 6 Q And you knew all of that before the 7 frauds became public? 8 A That's correct. 9 Q So do you know where he got the 10 financing to purchase the homes? 11 A No, I don't even know how he found the 12 homes. It wasn't in my world. Like it wasn't part 13 of my world. I didn't care. It wasn't my business. 14 Q Was underwriting part of your world? 15 A No. 16 Q Did you play any part in underwriting? 17 A No. I was friendly with the people. 18 Like I would say good morning. 19 Q My question is, professionally did you 20 ever play any part in underwriting? 21 A No. 22 Q Were you ever contacted by anybody about 23 an underwriting decision, meaning anybody outside 24 Walsh ever call you? 25 A Yes.</p>
<p>115 1 my thought, there was something in documents he must 2 have seen that I did not see. 3 Q Would there be anything in Walsh 4 documents that he could look at that would tell him 5 that -- 6 A No. 7 Q Let me finish. 8 Would there be anything in a Walsh file 9 that would tell him the houses had not been fixed up? 10 A No, we thought they were fixed up. 11 Q Right. Because in fact your company 12 would not have made the loans if you had known that 13 the houses had not been fixed up? 14 A That's correct. 15 Q Did your company, in making the loans, 16 know that Kane was flipping them, was doing what was 17 called a rehab flip program? 18 A No, I don't think so. I don't know. I 19 wasn't an underwriter. I was in charge of sales. 20 Q Let's talk about what you knew. 21 You said that you knew that Kane owned 22 the homes? 23 A Yes, correct. 24 Q You said you knew he was fixing them up? 25 A That's correct.</p>	<p>117 1 Q Why would that be? 2 A Well, when you're a wholesale person you 3 can get testimony from other wholesale persons, 4 people, your job is to work with the brokers. 5 What a wholesale rep means is if I have 6 a broker, First United Mortgage, and First United 7 calls me up and says they are asking for a condition 8 that makes no sense to me, tell your underwriter they 9 are an asshole. That's how brokers talk. 10 So I would go to Paul DelRosso and I 11 would say, Paul, please pull this file. I would 12 write down what the broker stated. This is the 13 broker's version. He sat with the borrower. 14 I don't remember specifics, but that's 15 what a wholesaler's job is. 16 Then Paul DelRosso would pull the file, 17 go over it, call the broker and try to rectify the 18 program -- the problem. 19 Q Did you ever say to Mr. DelRosso what 20 you thought should be done as far as underwriting? 21 A No. 22 Q That you stayed out of? 23 A I didn't stay out of it. It wasn't part 24 of what I did. I didn't consciously stay out of it. 25 It wasn't what I did.</p>

30 (Pages 114 to 117)

Demola - direct

<p>122</p> <p>1 conditions that were not met?</p> <p>2 A I don't remember.</p> <p>3 Q Ms. Demola, did you direct persons at</p> <p>4 Walsh to participate in efforts with respect to close</p> <p>5 funded loans which were to be reviewed by</p> <p>6 representatives of Greenwich Capital, which efforts</p> <p>7 included altering certain documents in those files</p> <p>8 and placing other documents such as written</p> <p>9 appraisals in the files?</p> <p>10 A The only thing I did was when the review</p> <p>11 appraisals came back, I gave them to Kellie to put in</p> <p>12 the file, none of the other documents, just the</p> <p>13 review appraisal.</p> <p>14 Q Ms. Walsh --</p> <p>15 A That's okay, I was a Walsh.</p> <p>16 Q Ms. Demola, did you concur in the</p> <p>17 funding of loans without first having obtained an</p> <p>18 accurate reappraisal?</p> <p>19 A A reappraisal?</p> <p>20 Q Yes.</p> <p>21 A State it again. I'm sorry. On a</p> <p>22 verbal, we closed with a verbal.</p> <p>23 Q Did you concur in the funding of loans</p> <p>24 without first having obtained an accurate</p> <p>25 reappraisal?</p>	<p>124</p> <p>1 purpose of avoiding learning the truth that there</p> <p>2 were appraisals used which valued properties in their</p> <p>3 as is condition when many of the subject properties</p> <p>4 required substantial improvement?</p> <p>5 A I didn't. I didn't know there was an as</p> <p>6 is until after I was made aware of it after the fact.</p> <p>7 I didn't even know these people. I</p> <p>8 didn't make a nickel from it. So draw your own</p> <p>9 conclusions how I wound up here.</p> <p>10 I never saw the letters. I never wrote</p> <p>11 the letters.</p> <p>12 Do you want me to go on and on?</p> <p>13 Q Did you direct persons at Walsh to</p> <p>14 participate in efforts with respect to closed funded</p> <p>15 loans which were to be reviewed by representatives of</p> <p>16 Greenwich Capital, which efforts included altering</p> <p>17 certain documents in those files and placing other</p> <p>18 documents such as written appraisals in the files?</p> <p>19 A Could I read it?</p> <p>20 Q I'm asking you a question.</p> <p>21 A Say it again, I'm sorry.</p> <p>22 Q Did you direct persons at Walsh to a</p> <p>23 participate in efforts with respect to closed funded</p> <p>24 loans which were to be reviewed by representatives of</p> <p>25 Greenwich Capital, which efforts included altering</p>
<p>123</p> <p>1 A We had a verbal on the review</p> <p>2 appraisals.</p> <p>3 Q That wasn't what I asked.</p> <p>4 A But that was the answer.</p> <p>5 Q Okay.</p> <p>6 Did you in fact accept money from</p> <p>7 William Kane?</p> <p>8 A Absolutely never.</p> <p>9 Q Did you at some point become aware that</p> <p>10 there were fraudulent documents used to support loans</p> <p>11 by Walsh Securities?</p> <p>12 A At the end of June.</p> <p>13 Q Did you --</p> <p>14 A '97, end of June '97.</p> <p>15 Q Did you act a conscious purpose of</p> <p>16 avoiding learning the truth by the use of appraisals</p> <p>17 whose valuations were inaccurate and were used to</p> <p>18 qualify buyers?</p> <p>19 A What does that mean, though? My</p> <p>20 understanding it was asked of me, but in reality,</p> <p>21 what does that mean?</p> <p>22 Q Do you not understand the question?</p> <p>23 A I don't.</p> <p>24 Q Okay.</p> <p>25 Did you act with others with a conscious</p>	<p>125</p> <p>1 certain documents in those files and placing other</p> <p>2 documents such as written appraisals in the files?</p> <p>3 A I don't remember.</p> <p>4 MR. MAGNANINI: I'll object to the whole</p> <p>5 line, asked and answered.</p> <p>6 Q You say you don't remember?</p> <p>7 A I don't remember.</p> <p>8 Q Did you testify under oath -- withdrawn.</p> <p>9 When you testified before Judge Hayden</p> <p>10 about your involvement with these frauds, did you</p> <p>11 testify truthfully?</p> <p>12 A Um, I'll take the Fifth on that.</p> <p>13 Q I asked you earlier whether you were</p> <p>14 aware that fraudulent loans were being made by Walsh</p> <p>15 Securities, and you're taking the fifth as to that,</p> <p>16 is that correct?</p> <p>17 A I didn't know --</p> <p>18 Q No, stay with me.</p> <p>19 A I'm sorry.</p> <p>20 Q Were you aware -- earlier I had asked</p> <p>21 you whether you were aware that fraudulent loans were</p> <p>22 being made by Walsh Securities, and you took the</p> <p>23 Fifth amendment.</p> <p>24 Do you remember that?</p> <p>25 A Yes, I do remember that.</p>

32 (Pages 122 to 125)

Demola - cross

<p>150</p> <p>1 A Unless the broker then attempted to get 2 whatever he said he couldn't get. 3 Q If that loan didn't close, Bette Ann 4 wouldn't make any money on that loan, would she? 5 A I had so many other loans, I didn't 6 really care about that one loan. 7 Q Ms. Demola, listen to my question. 8 If that exception was not made, Bette 9 Ann would make no money on that loan, would she? 10 A No. 11 Q Your testimony is that despite the fact 12 that you had a direct financial interest in that loan 13 closing, you would not in any way attempt to 14 influence the underwriter to make an exception, is 15 that your testimony? 16 A No, I absolutely would go in the back 17 with the written appeal. It was called an appeal. I 18 would write down what the broker would say. 19 Sometimes the brokers would write the 20 letters themselves and state, you know, he's not on 21 the job a full 12 months. He changed positions. 22 It could be for a number of reasons. We 23 needed two years employment. I had a year here, a 24 half a year here. Maybe you could make an exception? 25 It didn't bother me one way or the</p>	<p>152</p> <p>1 A I don't remember, but it wasn't a flip 2 program, and there was nothing wrong. 3 Q Ma'am, just answer my question. 4 A Okay. 5 Q I don't want anyone else to tell me 6 nothing is wrong with a flip program. We all know 7 there is nothing wrong with a flip program when there 8 is no fraud. 9 A That's right. That's what I was going 10 to say. 11 Q We all agree to that. 12 Were you responsible for educating your 13 employees as to what products they should be 14 marketing for mortgage brokers and participants? 15 MR. MAGNANINI: Objection to form. They 16 were not her employees. 17 You can answer. 18 A No. Wait. 19 Everything went through Arnold Cohen. 20 Anytime there was a new program, he would run the 21 training seminar to point out to all the wholesale 22 reps what should go into that program. 23 Q Were you involved in those training 24 sessions? 25 A Yes.</p>
<p>151</p> <p>1 other. It wasn't like there were two loans in the 2 pipeline and I wasn't going to make money for the 3 month. I was making \$50,000 for a month. 4 Do you think I cared about one loan? Do 5 you think I cared about eight loans? I didn't. You 6 can't make me say I did. I didn't. 7 Q Let go back to my question to you again. 8 My question was relatively simple. Are 9 you telling us that despite the fact that if the loan 10 didn't close you would not make any money, or that 11 you did not attempt in any way to influence an 12 underwriter to approve an exception to a guideline? 13 Is that your testimony? 14 A That's my testimony. 15 MR. MAGNANINI: Objection to form. 16 Asked and answered. 17 THE WITNESS: What does that mean when 18 you say that? 19 MR. MAGNANINI: He asked the question a 20 couple of times. 21 THE WITNESS: Oh, I'm sorry. 22 Q Did Walsh Securities have a flip 23 program, f-i-l-p, program? 24 A We didn't call it a flip program. 25 Q What did you call it?</p>	<p>153</p> <p>1 Q When Arnold Cohen would explain a new 2 program offered by Walsh Securities, Bette Ann would 3 know about it? 4 A That's right. 5 Q Do you recall when Walsh first had a 6 program that would be called something like a flip 7 program? 8 A If you want to tell me the name, I'll 9 tell you if I had it. I don't remember. 10 Q Ma'am, I heard very -- I heard many 11 names for the Walsh flip program. I heard the flip 12 program. I heard the rehab program. I actually saw 13 at one point in time a no seasoning program. I don't 14 know what it was. 15 Can you tell me what it was called? 16 A We had a no seasoning program, but we 17 copied it from Conte Mortgage. 18 Q Is that a flip program? 19 A What is your definition of a flip that 20 you're asking me? What are you trying to say a flip 21 is? 22 Q Since this is your deposition, why don't 23 you tell me what you understood a flip program to be. 24 A A flip program in my mind -- I'm not 25 saying I'm right -- is when an investor bought a</p>

39 (Pages 150 to 153)

Demola - cross

<p>182</p> <p>1 you have any explanation for it.</p> <p>2 A No, because I didn't know about it, no.</p> <p>3 Q And you would fully expect, would you</p> <p>4 not, ma'am, with the procedures that were in place at</p> <p>5 Walsh Securities, for someone at Walsh Securities to</p> <p>6 know that a mortgage didn't come back within a</p> <p>7 reasonable period of time?</p> <p>8 MR. MAGNANINI: Objection to form.</p> <p>9 You can answer.</p> <p>10 A I'm sorry, I lost concentration.</p> <p>11 Q You have now educated me on various</p> <p>12 processes that existed at Walsh Securities, one of</p> <p>13 which was the post closing, correct?</p> <p>14 A Yes.</p> <p>15 Q One of the jobs of the post closer was</p> <p>16 to make sure the mortgages came back, yes?</p> <p>17 A Yes.</p> <p>18 Q You testified a moment ago when a</p> <p>19 mortgage didn't come back, they would follow up to</p> <p>20 get the mortgages, correct?</p> <p>21 A I didn't testify that it was the</p> <p>22 mortgage or anything that was missing.</p> <p>23 Q If a mortgage was missing, you would</p> <p>24 expect that someone would have followed up to get it,</p> <p>25 correct? That's what you would have expected,</p>	<p>184</p> <p>1 moment.</p> <p>2 (Recess at 3:30 p.m.)</p> <p>3 (Deposition resumes at 3:35 p.m.)</p> <p>4 Q Are you okay to continue, Ms. Demola?</p> <p>5 A Yes.</p> <p>6 Q Would you also expect, Ms. Demola, if</p> <p>7 the post closers were not receiving title policies,</p> <p>8 that they would follow up?</p> <p>9 A I really wasn't in charge of that</p> <p>10 department.</p> <p>11 Q So you wouldn't have any opinion at all</p> <p>12 as to whether you would expect a post closer to</p> <p>13 follow up to find out why the title policy wasn't</p> <p>14 forwarded to Walsh Securities?</p> <p>15 MR. MAGNANINI: Objection to form, but</p> <p>16 you can answer.</p> <p>17 A I don't think they weren't doing it.</p> <p>18 Just because --</p> <p>19 Q Ma'am, listen to my question. I'm not</p> <p>20 asking you whether they were or they weren't.</p> <p>21 I'm asking you, would you expect them to</p> <p>22 follow up?</p> <p>23 A Yes.</p> <p>24 Q Get the title policies if they didn't</p> <p>25 come in in a timely fashion?</p>
<p>183</p> <p>1 correct?</p> <p>2 A I'm thinking. I didn't think of it</p> <p>3 then. I'm thinking now. I'm thinking.</p> <p>4 I think that we were doing -- we had</p> <p>5 over 1200 loans a month close and there was a lot of</p> <p>6 work there. Perhaps the computer system -- I don't</p> <p>7 know.</p> <p>8 Q That doesn't answer my question.</p> <p>9 MR. MAGNANINI: Listen to his question.</p> <p>10 Q My question was, would you have expected</p> <p>11 someone to follow up to find out why mortgages</p> <p>12 weren't being returned timely?</p> <p>13 A How do I know they didn't follow up?</p> <p>14 Q I'm not asking you whether they did or</p> <p>15 didn't. My question is, would you have expected</p> <p>16 someone to follow up and find out why mortgages</p> <p>17 weren't being returned?</p> <p>18 A No, but I think they might have been.</p> <p>19 MR. MAGNANINI: Objection to form.</p> <p>20 You can answer.</p> <p>21 Q You think that was being done?</p> <p>22 A I do. If they couldn't get it done, it</p> <p>23 doesn't mean they didn't try. The people worked</p> <p>24 hard. They were hard workers.</p> <p>25 MR. MAGNANINI: Excuse me. Take a</p>	<p>185</p> <p>1 MR. MAGNANINI: Objection to the form.</p> <p>2 A Yes.</p> <p>3 Q You would expect them, would you not, to</p> <p>4 follow up with respect to any document that didn't</p> <p>5 come back timely from the closer?</p> <p>6 A Yes.</p> <p>7 Q And you understood, did you not, that</p> <p>8 all of these documents were critical in order for</p> <p>9 Walsh Securities to be able to sell the loans in the</p> <p>10 secondary market?</p> <p>11 MR. MAGNANINI: Objection to form.</p> <p>12 A Had to be completed. I don't know what</p> <p>13 documents you needed to put into a security or</p> <p>14 anything.</p> <p>15 Q Would you think, ma'am, that you needed</p> <p>16 to record a mortgage to put a loan in a security?</p> <p>17 A Yes.</p> <p>18 Q Would you think you need a title policy</p> <p>19 to put a loan in a security?</p> <p>20 A Yes.</p> <p>21 Q Would you also agree with me, ma'am,</p> <p>22 that title policies could not be issued before the</p> <p>23 mortgages were recorded?</p> <p>24 A I don't know when that's done.</p> <p>25 Q You have seen title policies?</p>

47 (Pages 182 to 185)

Demola - cross

<p>190</p> <p>1 that Walsh was loaning money on properties that had</p> <p>2 been remodeled or rehabbed, and that the remodeling</p> <p>3 that was done was not being documented by the</p> <p>4 appraiser?</p> <p>5 MR. MAGNANINI: Objection to form.</p> <p>6 You can answer.</p> <p>7 Q Did you ever hear anything like that?</p> <p>8 A No.</p> <p>9 Q Did you ever hear Greenwich complaining</p> <p>10 that the appraisals did not include interior</p> <p>11 photographs?</p> <p>12 A No.</p> <p>13 Q Did the Walsh appraisals all include</p> <p>14 interior photographs, ma'am?</p> <p>15 A To the best of my knowledge they were</p> <p>16 supposed to.</p> <p>17 Q I understand what they were supposed to.</p> <p>18 Do you recall a point in time when</p> <p>19 direction was given to participants that they needed</p> <p>20 to start including interior photographs of subject</p> <p>21 properties because they were not doing that ahead of</p> <p>22 time?</p> <p>23 A No, because they should have been done.</p> <p>24 Q So if I've got appraisals in Walsh</p> <p>25 files, ma'am, that do not include interior</p>	<p>192</p> <p>1 often related to REO acquisitions? You recall that,</p> <p>2 don't you?</p> <p>3 A No, I don't. I really wasn't involved</p> <p>4 in any of those meetings. I never saw whatever</p> <p>5 you're reading from.</p> <p>6 Q Ma'am, if you're out there selling the</p> <p>7 product, or the people who work under you are</p> <p>8 advising the world as to the guidelines by which</p> <p>9 Walsh will make loans, are you saying you didn't have</p> <p>10 any interaction at all with people deciding what</p> <p>11 would or would not be acceptable to Walsh Securities?</p> <p>12 A I'm giving you my opinion. I think if</p> <p>13 there were those issues, someone should have had a</p> <p>14 meeting with all of us and told us that.</p> <p>15 Q I agree with you 100 percent, ma'am.</p> <p>16 That's what I'm trying to figure out.</p> <p>17 Why the person on the street, namely</p> <p>18 you, didn't have such a meeting about any of those</p> <p>19 things. Do you have any explanation why that</p> <p>20 wouldn't have been conveyed to you?</p> <p>21 A That's my opinion.</p> <p>22 MR. MAGNANINI: Objection to form.</p> <p>23 Q You don't have an explanation why?</p> <p>24 A No.</p> <p>25 Q Do you know what an REO acquisition is?</p>
<p>191</p> <p>1 photographs, you would consider those appraisals to</p> <p>2 be in violation of Walsh guidelines. Is that true?</p> <p>3 MR. MAGNANINI: Objection to form.</p> <p>4 You can answer it.</p> <p>5 A It wasn't my department, but doesn't</p> <p>6 make sense to me.</p> <p>7 Q You wouldn't have approved a loan</p> <p>8 without photographs of the interior, would you?</p> <p>9 A I wasn't an underwriter.</p> <p>10 Q I understand that.</p> <p>11 Would you have approved a loan without</p> <p>12 interior photographs?</p> <p>13 A I don't have an opinion.</p> <p>14 Q Do you believe, ma'am, based on your</p> <p>15 involvement in the mortgage business, that a loan,</p> <p>16 based on appraisal without interior photographs,</p> <p>17 creates a higher degree of risk for Walsh Securities</p> <p>18 than one with interior photographs? You would agree</p> <p>19 with that, would you not?</p> <p>20 MR. MAGNANINI: Objection to form.</p> <p>21 You can answer.</p> <p>22 A I wouldn't agree or disagree.</p> <p>23 Q Do you recall Greenwich ever raising</p> <p>24 concern, ma'am, that there were above average risks</p> <p>25 because Walsh was loaning money on flips that were</p>	<p>193</p> <p>1 A A bank owned property.</p> <p>2 Q Are you aware that's the properties that</p> <p>3 Billy was buying?</p> <p>4 A I didn't know where he got them from.</p> <p>5 Q You didn't know that at the time?</p> <p>6 A Even to this moment. So he just found</p> <p>7 dilapidated properties.</p> <p>8 Q Are you aware that Greenwich recommended</p> <p>9 to Walsh that it should discontinue making loans to</p> <p>10 principals and employees of the brokers with whom</p> <p>11 Walsh Securities does business?</p> <p>12 A I think at the end we were given notice,</p> <p>13 a printed thing was passed out.</p> <p>14 Q That one you were aware of?</p> <p>15 A Yes.</p> <p>16 Q Do you know why that change was</p> <p>17 recommended?</p> <p>18 A I don't remember. Maybe I knew at the</p> <p>19 time, but I remember that they would not lend if</p> <p>20 someone owned a mortgage company.</p> <p>21 Q In fact, they wouldn't loan to Billy</p> <p>22 Kane either, would they, because of his involvement</p> <p>23 with NHF?</p> <p>24 A I don't know.</p> <p>25 MR. MAGNANINI: Objection to form.</p>

49 (Pages 190 to 193)

Demola - cross

<p>210</p> <p>1 rehabilitation work had to be detailed within the</p> <p>2 appraisal, who would get something like that?</p> <p>3 A My guess? I don't really know.</p> <p>4 Q You don't know, you don't know.</p> <p>5 A I don't know.</p> <p>6 Q Would you expect to get something like</p> <p>7 that?</p> <p>8 A Yes.</p> <p>9 Q Would the loan processors get something</p> <p>10 like that?</p> <p>11 A Yes.</p> <p>12 Q Would your brother be aware of issuance,</p> <p>13 your brother Robert, be aware of issuance of the</p> <p>14 directive like that?</p> <p>15 A I don't think Robert was involved in</p> <p>16 that part of the business. He was working on</p> <p>17 business, not day-to-day business.</p> <p>18 Q If there were directives that were</p> <p>19 issued, ma'am, that dealt with the no seasoning</p> <p>20 program and fraud in the no seasoning program, who</p> <p>21 would get directives like that?</p> <p>22 A The quality control people, the risk</p> <p>23 manager, the underwriting manager, and he would then</p> <p>24 go over them with the underwriters.</p> <p>25 Q Do you recall at one point in time,</p>	<p>212</p> <p>1 prior to the directive had to be honored, because in</p> <p>2 New Jersey, you can't have a commitment on the street</p> <p>3 and then pull it back.</p> <p>4 We didn't know there was fraud there.</p> <p>5 We could have pulled it back if we knew there was</p> <p>6 fraud.</p> <p>7 Once a commitment is issued, it's</p> <p>8 issued. It could have happened that some of those</p> <p>9 were before the changes were already committed, but</p> <p>10 just not closed.</p> <p>11 Q Are you aware, ma'am, that in 1997</p> <p>12 Greenwich came down and performed a review of a</p> <p>13 certain number of loan files?</p> <p>14 A They were there every day. I don't know</p> <p>15 what they did. They were there every day.</p> <p>16 Q They had an employee at your location,</p> <p>17 correct?</p> <p>18 A That's correct.</p> <p>19 Q What was his or her name?</p> <p>20 A You made me say a her. It's a man. Don</p> <p>21 Larsen, L-a-r-s-e-n.</p> <p>22 Q Donald B. Lawson, Junior, L-a-w-s-o-n,</p> <p>23 does that sound right?</p> <p>24 A I don't know he was a junior, but that's</p> <p>25 right.</p>
<p>211</p> <p>1 ma'am, a guideline or directive coming out that no</p> <p>2 loan should be made in the no seasoning/flip program</p> <p>3 for properties that were not owned by the seller for</p> <p>4 at least six months?</p> <p>5 A That was a change at the end, but I</p> <p>6 don't remember when it came.</p> <p>7 Q Do you know why that change was made?</p> <p>8 A No.</p> <p>9 Q Do you know why -- strike that.</p> <p>10 Would you agree with me, ma'am, that</p> <p>11 that change was made before the frauds came to light?</p> <p>12 A Yes.</p> <p>13 Q Do you know, ma'am, why that directive</p> <p>14 was not followed after it was issued with respect to</p> <p>15 the Kane loans?</p> <p>16 A I didn't know about it.</p> <p>17 MR. MAGNANINI: Objection to form.</p> <p>18 Q Would you be surprised, ma'am, after a</p> <p>19 directive like that was issued, that Walsh Securities</p> <p>20 would have continued to fund loans to a seller that</p> <p>21 didn't own the property for at least six months?</p> <p>22 A It depended.</p> <p>23 Q Would that surprise you?</p> <p>24 A It depended on if the file was committed</p> <p>25 prior to the directive. Any file that was committed</p>	<p>213</p> <p>1 Q Where was his office situated?</p> <p>2 A He sat right on the floor in his office.</p> <p>3 Q And to your knowledge did he review</p> <p>4 every file that Walsh Securities underwrote?</p> <p>5 A No, he picked whatever files he wanted.</p> <p>6 He took over the cabinets whenever he wanted.</p> <p>7 Q Do you recall at one point in time,</p> <p>8 ma'am, someone other than Mr. Lawson came in</p> <p>9 especially to review Walsh loan files?</p> <p>10 A I don't remember that.</p> <p>11 Q There has been a lot of testimony,</p> <p>12 ma'am, about you in connection with an inspection by</p> <p>13 someone from Greenwich advising either Mr. Kane</p> <p>14 directly or advising Kellie O'Neill to advise</p> <p>15 Mr. Kane that the properties, quote unquote, better</p> <p>16 be what he says they are.</p> <p>17 Has anyone talked to you at all the</p> <p>18 about the accusations that were made as to that</p> <p>19 issue?</p> <p>20 MR. MAGNANINI: Again, I caution you --</p> <p>21 Q Just yes or no first.</p> <p>22 A At what time?</p> <p>23 Q At any time.</p> <p>24 A Yes.</p> <p>25 Q Has anyone spoken to you about that</p>

54 (Pages 210 to 213)

Demola - cross

<p>214</p> <p>1 other than your attorney?</p> <p>2 A No.</p> <p>3 Q So your testimony is that at no time did</p> <p>4 you have any conversations with your brother Robert</p> <p>5 or your brother James, at which time they asked you</p> <p>6 about the accusations that had been made against you</p> <p>7 that you told Mr. Kane to go make the properties look</p> <p>8 lived in before Greenwich comes and sees them?</p> <p>9 A That's not true.</p> <p>10 Q That's not my question, ma'am.</p> <p>11 My question is when a serious allegation</p> <p>12 has been made against someone like that, is it your</p> <p>13 testimony that you never had a discussion with either</p> <p>14 Robert or James about whether you did anything like</p> <p>15 that?</p> <p>16 A I had a discussion with Jimmy. I don't</p> <p>17 remember I had it with Robert.</p> <p>18 Q Tell me what you recall about the</p> <p>19 discussion with Jimmy, starting first with when did</p> <p>20 you have it?</p> <p>21 A It was after the fraud broke. Someone</p> <p>22 said that, I want Kane to go put up cheap blinds in</p> <p>23 the house. Never happened. Never happened.</p> <p>24 Q Tell me the discussion that you had with</p> <p>25 your brother. Who said what to whom?</p>	<p>216</p> <p>1 every single thing you said to him and he said to you</p> <p>2 about this topic.</p> <p>3 A I'm going to tell you what happened.</p> <p>4 Q Okay.</p> <p>5 A Don Lawson was in the kitchen. We had a</p> <p>6 big kitchen. He said, I'm concerned about some of</p> <p>7 these properties.</p> <p>8 So I said, go take a look.</p> <p>9 He goes, I don't really know my way</p> <p>10 around New Jersey.</p> <p>11 I said, no problem. Ronnie, the quality</p> <p>12 control person, will take you. Pick out whatever</p> <p>13 properties you want.</p> <p>14 I then did not go to my office. I went</p> <p>15 right on the floor in front of all the underwriters,</p> <p>16 I used Carter Winston's phone on her desk, and I</p> <p>17 called Billy Kane.</p> <p>18 I said, Billy, people are going to look</p> <p>19 at your property, tell me now.</p> <p>20 He said, they are in good shape.</p> <p>21 That's what happened. Period. End of</p> <p>22 story.</p> <p>23 I didn't say go put blinds up and make</p> <p>24 them look lived in. I would never use the word</p> <p>25 "cheap." I would have said shades if I said</p>
<p>215</p> <p>1 Did your brother say to you, Bette Ann,</p> <p>2 I need to ask you something. It's been stated that</p> <p>3 in anticipation of Greenwich coming down to look at</p> <p>4 some of its collateral, you told Billy Kane to go put</p> <p>5 some blinds up.</p> <p>6 Did he say something like that?</p> <p>7 A He asked me how it happened, what</p> <p>8 happened.</p> <p>9 Q What did you tell him?</p> <p>10 A That's not what happened.</p> <p>11 Q Did you tell him anything more?</p> <p>12 A Yeah, we had a conversation.</p> <p>13 Q Tell me the conversation.</p> <p>14 A You didn't ask that.</p> <p>15 Q Now I'm asking.</p> <p>16 A Well, you didn't ask that. Before you</p> <p>17 yelled at me for going on and on, and now you're</p> <p>18 yelling at me for going on and on.</p> <p>19 Q I'm not yelling. It's my Philadelphia</p> <p>20 voice. I'm not as laid back as Mr. Kott.</p> <p>21 A No, here's what happened.</p> <p>22 Q That's what I would like to know, and</p> <p>23 take as long as you need.</p> <p>24 A Now I can take long, yay.</p> <p>25 Q Take as long always you need to tell me</p>	<p>217</p> <p>1 anything.</p> <p>2 It never happened.</p> <p>3 Q So Mr. Lawson, the gentleman from</p> <p>4 Greenwich, says to you I'm concerned about some of</p> <p>5 these properties?</p> <p>6 A Yes.</p> <p>7 Q What was his concern?</p> <p>8 A He said -- you know, he sat there</p> <p>9 underwriting it. He came in the back in the kitchen,</p> <p>10 I was in the kitchen, he goes, I'm getting concerned</p> <p>11 about some of the properties.</p> <p>12 I said, Don, why don't you go look for</p> <p>13 yourself?</p> <p>14 That was a good answer, I thought.</p> <p>15 Q Is it your testimony you didn't say to</p> <p>16 him, what's your concern?</p> <p>17 A I didn't ask him what his concern was.</p> <p>18 Q He just comes out and says --</p> <p>19 A The condition of the properties, yes.</p> <p>20 Q Now, his statement was, I'm concerned</p> <p>21 about the condition of some of these properties?</p> <p>22 A Something to that effect.</p> <p>23 Q That would be based upon what?</p> <p>24 A He must have been looking at files.</p> <p>25 Q So Mr. -- the gentleman from Greenwich</p>

55 (Pages 214 to 217)

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY
CIVIL NO. 97-3407 (DRD)

WALSH SECURITIES,
INC.,

Plaintiff,

v.

CRISTO PROPERTY
MANAGEMENT, LTD.,
et al,

:
:
: CONTINUED
: DEPOSITION UPON
: ORAL EXAMINATION
: OF
: ELIZABETH ANN
: DEMOLA
:
:
:

COPY

T R A N S C R I P T of the stenographic
notes of HOWARD A. RAPPAPORT, a Notary Public and
Certified Shorthand Reporter of the State of
New Jersey, Certificate No. XI00416, taken at the
offices of STONE & MAGNANINI, 150 John F. Kennedy
Parkway, Short Hills, New Jersey, on Monday,
June 21, 2010, commencing at 11:15 a.m.

Demola - redirect

<p style="text-align: right;">345</p> <p>1 A I answered that question when you asked 2 me how many times he was there. I said quite a few, 3 about 25 or 30. 4 Q How did Anthony get to work during the 5 period that he lost his license? 6 A Some of the days he didn't come in, some 7 of the days other people drove him. 8 Q Other than Mr. Kane? 9 A That's correct. 10 Q So what do you mean the rumor got 11 started? 12 A There was a rumor -- I'm sorry. 13 Q Go ahead, tell me about the rumor. 14 A After the stories broke in the paper, it 15 said Billy Kane had an office at Walsh. He never had 16 an office at Walsh. He never had a cubicle. He 17 never had a phone. Never had anything. 18 He sat at a desk and he waited for his 19 friend that he drove up to work on the pipeline. 20 Q Was there any individual -- withdrawn. 21 Was there any specific desk he sat at? 22 A No. If someone was out in the back -- 23 all the cubicles were usually taken. If somebody was 24 out for the day, he would sit in the back waiting. 25 Q You said -- I don't want to put words in</p>	<p style="text-align: right;">347</p> <p>1 serious person, I talk a lot, which you're all 2 starting to find out, and that's who I am. 3 Q Would you have had any responsibility 4 for underwriting? 5 A Not at all. 6 Q Would you have any responsibility for 7 quality control? 8 A None at all. 9 Q Would you have any responsibility for 10 closing procedures? 11 A None at all. 12 Q Now, were the loans that we are talking 13 about in this case appraised by appraisers? 14 A To the best of my knowledge. 15 Q How do you know that? 16 A Because I don't believe that they would 17 have been in underwriting without an appraisal. 18 Q Why do you say that? 19 A Because it was one of our stipulations 20 that a file needed it. 21 Q When you say stipulations -- 22 A On our stacking order. 23 Q Is that something that would have been 24 given to the correspondent? 25 A Yes, every correspondent had a flow</p>
<p style="text-align: right;">346</p> <p>1 your mouth -- your job at Walsh was marketing? 2 A Marketing. 3 Q What do you mean by marketing? 4 A Well, for example, I did the best 5 parties. Want to hear about them? 6 I would do the trade shows. We did a 7 big trade show in Florida, and half the floor was 8 Mexico, half was Texas. 9 I had to come up with cool gifts to give 10 out. We gave out shot glasses with our name on it. 11 I hired a man to pass them out, because I picked the 12 Mexican side. I picked out green cards, across the 13 border, and I came out highest. 14 I supported them. I would throw parties 15 for them. The first anniversary in Indianapolis, 16 I sent out a birthday party card, come to a birthday 17 party. I would order all the marketing material to 18 try to keep to the theme. 19 I would do an underwriting trade show 20 down in the Woodbridge Hilton. We had all the booths 21 and tables and people would come. 22 That's really where my strengths were. 23 I would make the brokers get involved and have fun. 24 We had fun. 25 I wasn't a serious person, I'm not a</p>	<p style="text-align: right;">348</p> <p>1 chart. I don't know if I have any of them. 2 Like remember what happens to a loan 3 when it comes to Walsh and Elvis is entering it? Did 4 you ever see that? 5 I had a flow chart and it showed the 6 brokers, like where your file would be when it comes 7 to Walsh, what was included in it. 8 Q Did you ever talk to appraisers? 9 A Probably a couple of times they would 10 come in. We wrote up people and they would appeal 11 it. They would appeal the appraisal, and sometimes I 12 probably would. 13 Q Why would you be talking to an 14 appraiser? 15 A Just to be nice when they were in the 16 office, not about why they were there. 17 Q Just a social thing? 18 A Yes. 19 Q Did you ever talk about any business 20 aspect of a loan with an appraiser? 21 A No. We didn't order the appraisal. 22 Q Are you aware that a number of the 23 appraisers involved in this case have said that you 24 discussed appraisals with them? 25 A Yes, I'm aware that I threatened them.</p>

24 (Pages 345 to 348)

Demola - recross

<p>397</p> <p>1 Q The actual pick was not up to Walsh, it</p> <p>2 was up to somebody else?</p> <p>3 A That's correct.</p> <p>4 Q So long as they were on the list, right?</p> <p>5 A That's correct.</p> <p>6 Q And in these instances, my understanding</p> <p>7 is -- was it NHF that made the pick, or the loan</p> <p>8 originator there that made the pick as to the</p> <p>9 appraiser, or was it the closing attorney that made</p> <p>10 the pick as to the appraiser?</p> <p>11 A I have no knowledge of that.</p> <p>12 Q Could have been any one of those three</p> <p>13 as far as you're concerned, right?</p> <p>14 A I have no idea.</p> <p>15 Q But you don't know?</p> <p>16 A I don't know.</p> <p>17 Q But you do know it wasn't Walsh?</p> <p>18 A That's correct.</p> <p>19 Q Now, that being the case, and it being</p> <p>20 that all the paper -- all the paper was in the name,</p> <p>21 initially, anyway, before it got filed, of NHF or</p> <p>22 Walsh?</p> <p>23 A No, they closed in their own name.</p> <p>24 Q Pardon me?</p> <p>25 A NHF closed in their own name.</p>	<p>399</p> <p>1 example.</p> <p>2 So then we would look at all the parts,</p> <p>3 do the appraisal, and we gave the appraisers an</p> <p>4 opportunity to rebut what the wholesale person would</p> <p>5 buy.</p> <p>6 Q Okay.</p> <p>7 That's where there had been a problem on</p> <p>8 a given loan?</p> <p>9 A Excuse me?</p> <p>10 Q That's where there had been some sort of</p> <p>11 issue as to a given loan?</p> <p>12 A It could have been any loan that we had</p> <p>13 to buy back, right.</p> <p>14 Q To the point where Walsh is going to buy</p> <p>15 it back. That's a big problem, right?</p> <p>16 A Yeah, we bought a lot of loans back.</p> <p>17 Q Other than a situation where there is an</p> <p>18 issue, where you're calling some guy in and giving</p> <p>19 him a chance to explain, is there any reason for</p> <p>20 these appraisers to be up there?</p> <p>21 A To the best of my knowledge we didn't</p> <p>22 have visitors that were appraisers.</p> <p>23 Q You were asked before questions about</p> <p>24 whether or not you talked to the appraisers when they</p> <p>25 were up at Walsh regarding values with respect to the</p>
<p>398</p> <p>1 Q There was some course of assignment or</p> <p>2 something from NHF to Walsh?</p> <p>3 A An assignment.</p> <p>4 Q That didn't occur until after the</p> <p>5 closing, right, temporarily?</p> <p>6 MR. MAGNANINI: Objection to form.</p> <p>7 A I don't know when it occurred.</p> <p>8 Q Certainly it wouldn't occur before the</p> <p>9 closing, would it?</p> <p>10 A I think that we needed it at the closing</p> <p>11 table. It had to be at the closing table.</p> <p>12 Q At the table?</p> <p>13 A Yes.</p> <p>14 Q Simultaneous with the closing?</p> <p>15 A I don't know exactly, but I know that</p> <p>16 the broker had to sign the loan over to me before I</p> <p>17 could close it.</p> <p>18 Q All of that being so, why are these</p> <p>19 appraisers up at Walsh at all for any reason?</p> <p>20 A A lot of times that we would write them</p> <p>21 up -- not me, I say "we," but I got yelled at for</p> <p>22 saying "we," I don't mean "we." I mean Walsh</p> <p>23 Securities would -- say, for example, an appraisal</p> <p>24 would come back and we have to buy the loan back and</p> <p>25 it's based on an appraisal. I'm using a loan for an</p>	<p>400</p> <p>1 loans involved in these transactions.</p> <p>2 Notwithstanding the fact that some of</p> <p>3 the appraisers said yes, you did, you told us they</p> <p>4 would be lying, because no, you didn't, right?</p> <p>5 A I didn't. The government said I wrote</p> <p>6 letters.</p> <p>7 Q Why were those appraisers at Walsh in</p> <p>8 the first place?</p> <p>9 A Who?</p> <p>10 Q The appraisers that claimed they talked</p> <p>11 to you about the loans.</p> <p>12 A Oh, I like this question very much.</p> <p>13 Two of them I never met. If you put me</p> <p>14 in a room, they couldn't pick me out unless somebody</p> <p>15 else told them. I never met them.</p> <p>16 Q Do you know the names of the ones that</p> <p>17 you do recall meeting?</p> <p>18 A I met DiBenedetto was in the office.</p> <p>19 Q You met a Mr. DiBenedetto?</p> <p>20 A Yes.</p> <p>21 Q How many times did you see him at Walsh?</p> <p>22 A Maybe once or twice.</p> <p>23 Q And why was Mr. DiBenedetto there?</p> <p>24 A He was getting cut off the approved</p> <p>25 list.</p>

37 (Pages 397 to 400)

Demola - recross

<p>1 Q Basically getting fired? 2 A Yes. 3 Q Taken off the approved list? 4 A Yes. 5 Q Because of why, do you know? 6 A I don't know specifics, but it must have 7 been because his appraisals were not good. 8 Q Do you know whether or not it had to do 9 with appraisals in connection with the properties 10 involved in this litigation or other appraisals? 11 A I don't know which properties. 12 Q Do you ever recall a situation involving 13 these NHF Kane loans involved in this litigation, 14 where you personally waived an underwriting 15 requirement to get the loan to go through? 16 A I never waived conditions. 17 Q Never, ever? 18 A Never. I didn't have authority. 19 Q On these loans or any other loans? 20 A On any loan, I didn't have authority. 21 Q My client is Coastal Title agency. Did 22 Walsh have any say in what title agency was used in 23 these transactions? 24 A I don't believe so. 25 Q Does the name Bob Agel, A-g-e-l, Robert</p>	<p>401</p> <p>1 Q I understand. 2 During the time period that you were in 3 the employ of Walsh, were you aware that there was a 4 concept 19 as appraisal variance? 5 A No. That's not a correct term, I don't 6 think. 7 Q Were you aware that if a purchaser of a 8 loan from Walsh ultimately determines that an 9 appraised value of the property differed from the 10 appraisal that was part of a Walsh package, that 11 Walsh could be required to buy the loan back? 12 A I don't really -- I'm assuming I know, 13 but I don't think I know. 14 Q Do you recall ever hearing from your 15 brother Robert that he had negotiated a more 16 favorable variance provision in any of the agreements 17 with companies buying loans from Walsh? 18 A I never heard that. 19 Q You testified in response to one of 20 Mr. Kott's questions that Mr. Kane was supposed to 21 have fixed up the properties, correct? 22 A That's what he was, he was a builder. 23 Q So it was your understanding that on all 24 of the properties that Mr. Kane was selling, he had 25 bought them, fixed them up and then was selling them,</p> <p>403</p>
<p>1 Agel, mean anything to you? 2 A Not really. 3 Q Do you know whether or not you ever 4 visited Coastal Title? 5 A I know I never visited them. If he was 6 at one of my parties I could have met him. 7 Q When you arranged one of these parties, 8 would you be in the habit of inviting local title 9 agencies? 10 A We would invite brokers and they would 11 bring people. We didn't invite title companies. 12 Q If you know, on these loans involved in 13 this transaction, who was required under the closing 14 instructions, Walsh's closing instructions, to file 15 the deeds subsequent to the closing? 16 A I don't know who did that. 17 MR. MC GOWAN: I have nothing else. 18 Thank you. 19 RECROSS EXAMINATION BY MR. HAYES: 20 Q Ms. Demola, do you know what an 21 appraisal variance is? 22 A No. I know it means a certain 23 percentage, like a review appraisal was allowed to be 24 in a certain percentage, but I don't know what the 25 percentage was.</p> <p>402</p>	<p>1 correct? 2 A That's correct. I thought he bought 3 pools of houses. 4 Q Houses. 5 So your recollection is that every 6 Cristo deal was a rehab or fixer upper? 7 A To my knowledge, that's what I thought. 8 Q You told Mr. Kott there was hearsay 9 within the office about delays in getting title 10 policies, correct? 11 A That's correct. 12 Q Was there also hearsay in the offices 13 that mortgages were not being returned promptly back 14 to Walsh? 15 A I don't really remember what documents 16 there were, but there were people that were taking 17 their time getting things back. 18 I don't remember what documents they 19 were. 20 Q Well, do you recall it being no more 21 than just title policies? 22 A I don't really remember. 23 Q Do you recall hearing hearsay within the 24 office that the delay in getting title policies 25 resulted from the fact that the mortgages weren't</p> <p>404</p>

38 (Pages 401 to 404)

EXHIBIT D

1 UNITED STATES DISTRICT COURT

2 DISTRICT OF NEW JERSEY

3
4 WALSH SECURITIES, INC.,

Action No. CV 97-3496 (WGB)

6 Plaintiff,

Hon. William G. Bassler

7 vs.

8 CRISTO PROPERTY MANAGEMENT, LTD.,
9 a/k/a G.J.L. LIMITED, DEK HOMES OF
NEW JERSEY, INC., OAKWOOD PROPERTIES,
10 INC., NATIONAL HOME FUNDING, INC., CAPITAL
ASSETS PROPERTY MANAGEMENT &
11 INVESTMENT Co., Inc., CAPITAL ASSETS
PROPERTY MANAGEMENT, L.L.C., WILLIAM
12 KANE, GARY GRIESER, ROBERT SKOWRENSKI, III,
RICHARD CALANNI, RICHARD DiBENEDETTO,
13 JAMES R. BROWN, THOMAS BRODO, ROLAND
PIERSON, STANLEY YACKER, ESQ., MICHAEL
14 ALFIERI, ESQ., RICHARD PEPSNY, ESQ.,
ANTHONY M. CICALESE, ESQ., LAWRENCE
15 CUZZI, ANTHONY D'APOLITO, DAP CONSULTING,
INC., COMMONWEALTH LAND AND TITLE INSURANCE
16 CO., NATIONS TITLE INSURANCE OF NEW YORK,
INC., FIDELITY NATIONAL INSURANCE CO.
17 OF NEW YORK, COASTAL TITLE AGENCY,
STEWART TITLE GUARANTY COMPANY,
18 IRENE DIFEO, DONNA PEPSNY, WEICHERT
REALTORS, AND VECCHIO REALTY, INC. D/B/A
19 MURPHY REALTY BETTER HOMES and GARDENS.

20 Defendants.

21 _____ / Volume I, Pages 1 - 131

22 DEPOSITION OF: WILLIAM KANE.

23 DATE/TIME: April 19, 2007; 9:30 a.m.

24 PLACE: Kanabay Court Reporters
Feather Sound Square, Suite 19
25 Clearwater, Florida

COPY

KANABAY COURT REPORTERS

1 there was a problem with loans getting through.

2 Do you mean that there was a problem with Walsh
3 approving loans?

4 A. I guess at one point -- again, it's recollection.
5 I can't be specific. It's been so long -- is that Greenwich
6 Capital had come down and done some quality control, or
7 whoever the loans were sold to, there was some questions
8 about them. So we were temporarily not getting loans done.

9 Q. And you referred to loan-to-value ratio. What did
10 you mean by that?

11 A. Originally when the first set of loans were
12 getting done, there was usually a -- there was an 80 percent
13 loan-to-value loan, meaning that if the loan was -- if the
14 sale price was \$100,000, we would get an \$80,000 mortgage.

15 At the time the way the deals were being
16 structured, I believe there had to be a copy of a \$10,000
17 down payment check representing 10 percent of the sales
18 price and then a 10 percent second mortgage.

19 I believe that -- again, this is my assumption
20 because it's been so long -- when I think about it, I think
21 that Greenwich or whoever they were selling the loans to had
22 a problem with seeing the same escrow letter from the
23 attorney. So the outcome weeks after our meeting was that
24 we would do an 80 percent loan, but the 20 percent would be
25 a second mortgage instead of a down payment to an escrow

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

WALSH SECURITIES, INC.,

Action No. CV 97-3496 (WGB)

Plaintiff,

Hon. William G. Bassler

vs.

CRISTO PROPERTY MANAGEMENT, LTD.,
a/k/a G.J.L. LIMITED, DEK HOMES OF
NEW JERSEY, INC., OAKWOOD PROPERTIES,
INC., NATIONAL HOME FUNDING, INC., CAPITAL
ASSETS PROPERTY MANAGEMENT &
INVESTMENT Co., Inc., CAPITAL ASSETS
PROPERTY MANAGEMENT, L.L.C., WILLIAM
KANE, GARY GRIESER, ROBERT SKOWRENSKI, III,
RICHARD CALANNI, RICHARD DiBENEDETTO,
JAMES R. BROWN, THOMAS BRODO, ROLAND
PIERSON, STANLEY YACKER, ESQ., MICHAEL
ALFIERI, ESQ., RICHARD PEPSNY, ESQ.,
ANTHONY M. CICALASE, ESQ., LAWRENCE
CUZZI, ANTHONY D'APOLITO, DAP CONSULTING,
INC., COMMONWEALTH LAND AND TITLE INSURANCE
CO., NATIONS TITLE INSURANCE OF NEW YORK,
INC., FIDELITY NATIONAL INSURANCE CO.
OF NEW YORK, COASTAL TITLE AGENCY,
STEWART TITLE GUARANTY COMPANY,
IRENE DIFEIO, DONNA PEPSNY, WEICHERT
REALTORS, AND VECCHIO REALTY, INC. D/B/A
MURPHY REALTY BETTER HOMES and GARDENS.

Defendants.

/ Volume II, Pages 132-258

DEPOSITION OF: WILLIAM KANE.

DATE/TIME: May 4, 2007; 9:30 a.m.

PLACE: Kanabay Court Reporters
Feather Sound Square, Suite 19
Clearwater, Florida

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1 increasing the number of loans being allowed from four to
2 five or five to six.

3 Do you know if Ms. Demola waived the condition or
4 would she speak to Mr. DelRusso about that --

5 A. She'd speak --

6 Q. -- and have him --

7 A. She'd speak to Mr. DelRusso -- I apologize for
8 that, sir. Go ahead.

9 Q. No, that was it.

10 A. Okay. She would speak to Mr. DelRusso. Anything
11 that needed to be waived, whether it would be the appraisal
12 or a couple of times where we had verbal appraisals or a
13 person had too many properties or -- it would go through
14 D'Apolito.

15 Now, once I was up there, standing up there with
16 the -- the buyer's name, I think it was Liebler, and he had
17 too many houses. And D'Apolito I assume went to Betty Ann.
18 Betty Ann went in to Paul. And then it came back to me that
19 it was waived.

20 Now, whether Betty Ann did it or Paul did or
21 D'Apolito spoke to somebody, I couldn't answer you. I
22 assume the way the track went, through D'Apolito.

23 Q. And then because he's the sales officer bringing
24 the loans into Walsh Securities?

25 A. Yes, and he was getting paid, you know, by us.

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1 Development, Horizon Developers, D & Son's, and DEK.

2 Q. Was that on Industrial Loop in Staten Island?

3 A. Yes, sir.

4 Q. Do you recall how much you paid Kellie O'Neill in
5 total?

6 A. No.

7 Q. Were false -- I haven't been able to verify it.

8 But we've heard that false income statements were prepared
9 for some of the straw buyers; is that true?

10 A. Yes, sir, it is.

11 Q. Who prepared those?

12 A. Either Gary Grieser or Larry Cuzzi had them done.

13 At one point Gary Grieser had an accountant who would
14 prepare them; tax returns, W-2 forms. And then he hooked up
15 with a payroll company that was doing everything for him.

16 Q. Do you recall the name of the accountant?

17 A. Silverman, Silverstein. I know he's the one that
18 opened up his first corporation. So I'm sure you could
19 check it that way.

20 Q. And then what payroll company did he use?

21 A. I don't remember, sir. It's been a long time.

22 Q. How did he use the payroll company to get the
23 false income statements?

24 A. He would call them up and give them a name and how
25 much he needed, and they would calculate it and come up with

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1 So...

2 Q. Yes, that too, but...

3 You mentioned Mr. Liebler. Was that David
4 Liebler?

5 A. David Liebler, yes, sir.

6 Q. His family owns the Hillside Auto Mall?

7 A. That I don't know.

8 Q. Side business. It's a pretty big mall he's got of
9 cars.

10 Mr. Kane, do you recall ever asking Kellie O'Neill
11 to prepare a false escrow letter?

12 A. I don't remember, but it's probably possible.

13 Yes, I do. Yes, it was on a John Perone Deal. It
14 was in the very beginning. It was DEK.

15 Q. And was that done at your offices in Staten
16 Island?

17 A. That is correct.

18 Q. And did you have offices there or were they the
19 D & S or the Dinaso's offices?

20 A. That was Dinaso's offices.

21 Q. Okay. What I'm asking you, you didn't have a
22 separate office or building there for yourself in Staten
23 Island?

24 A. No, no. It was a two-story building. Downstairs
25 he ran his lumber business. Upstairs was Blue Horizon Home

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1 pay stubs and W-2 forms and 1099's or whatever we needed at
2 the time.

3 Q. Was Betty Ann Demola aware that these applications
4 contained false pay stubs or false tax returns?

5 A. There was just one instance where quality control
6 was done, and I guess they called up and the gentleman
7 didn't work there. It was --

8 Q. You testified last time about this. They called
9 the Hillside Auto Mall.

10 A. Was it Hillside? I'm not sure who it was. Okay.
11 I thought --

12 Q. Where Larry Cuzzi worked.

13 A. Okay. Then we got ahold of Larry and they called
14 back and the whole thing was taken care of.

15 So that would be the only time I could say she
16 knew or didn't know, but that would be an assumption.

17 Because, again --

18 Q. Sorry. Go on.

19 A. That was not my conversation with her. That was
20 her to D'Apolito.

21 Q. And did D'Apolito ever told -- tell you what he
22 told Betty Ann Demola about that?

23 A. Just to have them call back, that it was resolved,
24 it was a mistake.

25 Q. Did you ever tell or have any conversations with

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1 Q. And then did you ever tell Betty Ann Demola that
 2 you owned Cristo Properties?
 3 A. Yes, I believe she knew I owned Cristo.
 4 Q. And how do you believe that she knew that you
 5 owned Cristo?
 6 A. I had invited her down to our office once to come
 7 see Cristo's offices.
 8 Q. Did she come down?
 9 A. No, no.
 10 Q. Did you ever tell Robert Walsh or James Walsh that
 11 you owned Cristo?
 12 A. Not a conversation that I remember, no.
 13 Q. Did you ever have any discussions with Robert
 14 Walsh or James Walsh about Mr. Grieser's proposed Ret?
 15 A. I don't believe so.
 16 Q. Well, on the meeting you had in June with Robert
 17 Walsh, did Mr. Grieser discuss his Ret plans?
 18 A. It's possible. Again, I think my mind was more
 19 other places, you know, with the subpoenas and everything
 20 else coming down. I really don't remember.
 21 Q. Mr. Kane, the last time we were here Mr. Kott had
 22 asked you a question about receiving -- I believe your
 23 testimony was that when Walsh Securities received a subpoena
 24 Betty Ann Demola called you up and asked you what was going
 25 on, and you had told her you don't know, but you'd take care

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1 Q. Now, Mr. DiBenedetto testified on Tuesday that he
 2 thought his standard appraisal rate for a multi-family house
 3 was \$500 each, and he thought you paid him \$1,000 per
 4 appraisal.
 5 Do you recall paying him --
 6 A. I couldn't even tell you that yes, no, or
 7 indifferent.
 8 Q. Did Ms. Demola -- did you have any discussions
 9 with Ms. Demola about what Cristo did, since she knew that
 10 you owned Cristo Properties?
 11 A. Yes. Again, it's -- you know, how do I say it?
 12 I'm assuming, you know, she knew we bought and sold. She
 13 knew I owned Cristo. I don't know whether she went in and
 14 looked at the deals that were presented from Cristo, whether
 15 she knew Cristo was the buyers or not. She knew I -- she
 16 knew I bought houses and sold houses.
 17 Q. Did you have discussions with her that when you
 18 bought and sold houses, the houses would be rehabilitated or
 19 fixed up?
 20 A. I don't think there was ever a discussion of that.
 21 Q. Because I believe at some point there was an
 22 article in the Asbury Park Press about some urban renewal or
 23 redevelopment that talked about Cristo, and I don't remember
 24 if it mentioned Mr. Grieser's company.
 25 Do you recall that?

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1 of it.
 2 We've had a lot of allegations that Ms. Demola
 3 knew everything that was involved here; but if she knew
 4 everything, why would she have called you and asked what the
 5 subpoenas were about or why would you have responded I'll
 6 find out rather than just say, you know what it's about? A
 7 long question, sir.
 8 A. It's a long question with a vague, hard answer.
 9 The only conversation with Betty Ann on -- I'm just trying
 10 to think of the right way to say it -- was about when the
 11 person came down from Greenwich that time to do spot checks
 12 and it was to go out and make sure the houses looked lived
 13 in; you know, no wood on the windows, anything else.
 14 There was never any sit-down discussion saying
 15 this is what we're doing, this is how we're doing it.
 16 Q. All right. Let me break down, I guess what I had
 17 anyway, is the elements.
 18 Did you ever tell Betty Ann Demola that Cristo was
 19 selling the properties before Cristo had purchased the
 20 properties?
 21 A. No.
 22 Q. Did you ever tell Ms. Demola that -- I don't know
 23 how to say -- either Cristo or you were paying the
 24 appraisers for the appraisals?
 25 A. No.

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1 A. Any articles in the Asbury Park Press through the
 2 whole timeframe we had no comment. So we never spoke to the
 3 press at all. So there would be nothing in the press from
 4 me.
 5 Q. Okay. This one was actually back in like 1996
 6 talking about houses being purchased, fixed up, and then
 7 sold and being occupied in Asbury Park?
 8 A. By us or?
 9 Q. Yes, you were mentioned.
 10 A. I don't remember.
 11 Q. Okay. Did you ever tell Ms. Demola that
 12 Mr. Grieser was paying the straw buyers for use of their
 13 credit history?
 14 A. No, sir.
 15 Q. Did you ever tell Ms. Demola that you were paying
 16 Ms. O'Neill or Mr. D'Apolito?
 17 A. No, sir.
 18 Q. Did you ever tell Ms. Demola that Ms. King was
 19 taking some of the attorney's closing fees to actually do
 20 all the legal work to close the loans?
 21 A. No, sir.
 22 Q. Did you ever tell Ms. Demola that the escrow
 23 letters sent by Mr. Yacker were false and he actually didn't
 24 have any money in escrow?
 25 A. No, sir.

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1 Q. Did you ever tell Ms. Demola that people other
2 than the buyers for the loans funded by Walsh Securities
3 signed the buyer's names or that Mr. D'Apolito was
4 notarizing those signatures?

5 A. No, sir.

6 Q. Did you ever have any discussions with Ms. Demola
7 about the straw buyers deeding 60 percent of the properties
8 to Capital Assets?

9 A. No, sir.

10 Q. Did you have any discussions with Robert Walsh,
11 James Walsh, or Ms. Demola that Capital Assets was making
12 the mortgage payments for all of the properties that had
13 been funded by Walsh Securities?

14 A. No, sir. No, sir.

15 Q. Mr. Kane, a couple questions on that, what you
16 said before, that Greenwich Capital was coming down to look
17 at some of the property.

18 When you were at Walsh Securities any time during
19 the 1996/1997 timeframe, did you see any employees of
20 Greenwich Capital at Walsh Securities?

21 A. No, sir.

22 Q. Did Mr. D'Apolito ever tell you there was a
23 Greenwich Capital representative who sat in Walsh
24 Securities' offices and reviewed the various loan
25 applications?

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1 Q. And then where -- I think what we've heard is that
2 some of your construction crews were going to take care of
3 some properties and some of Mr. Grieser's construction
4 people would take care of --

5 A. Correct.

6 Q. -- some other properties?

7 A. Correct.

8 Q. Where was your construction people located?

9 A. My guys were up north at that time. They were
10 doing up in Irvington, Jersey City, that area.

11 Q. What were they doing up there? Because I thought
12 they didn't -- you guys didn't really rehabilitate the
13 properties?

14 A. Yes. But if we had to go down for appraisals, if
15 we had to go down and take wood down, windows, different
16 things, that is what my guys did.

17 And plus at that point in time we owned an
18 apartment building in Jersey City and one in Asbury. So I
19 had them busy there.

20 Q. What happened to those apartment buildings?

21 A. We sold them.

22 Q. When was that?

23 A. '97.

24 Q. And where was Mr. Grieser's construction people
25 located? Was that at the Capital Assets office in Redbanks?

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1 A. No, sir.

2 Q. Now, you said -- Kellie O'Neill had actually
3 testified that she called either you or Mr. Grieser she said
4 at Betty Ann's behest to tell you to make sure these houses
5 looked lived in.

6 Do you recall if Ms. Demola called you or did
7 Ms. O'Neill call you?

8 A. I don't remember to be honest with you.

9 Q. And then you said that -- and tell me what I
10 remember because I didn't -- I don't remember the specific
11 page number.

12 A. I don't remember the phone call. If I'm not
13 mistaken, I was in Walsh when that came down.

14 Q. Okay. Well, that was going to be my question,
15 where were you. Because I thought you said you got a list
16 of the properties they were going to --

17 A. Yes, I'm not -- I'm 99.9 percent sure I was in
18 Walsh when that whole thing came down.

19 Q. And then where were the -- do you recall -- how
20 many properties were on the list?

21 A. I believe it was 10.

22 Q. Do you recall where they were located? Were they
23 all in Asbury Park and Longbranch or different areas?

24 A. No, they were from, you know, down in Asbury up to
25 Irvington. They were spread.

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1 A. Yes, sir.

2 Q. Actually jumping back to what you just said, you
3 said for the appraisals you had to send people out to take
4 down wood, put in windows.

5 Who told you to do that?

6 A. I don't think it was anyone in particular. You
7 had to have some pictures taken, so the house couldn't have
8 wood on the front. You know, so it was more common sense
9 than somebody saying, you know, we can't take pictures with
10 the wood on it.

11 Q. And then -- I don't remember. Somebody asked you
12 this last year, but we -- or last year -- last time we
13 talked. Somebody I think had testified that Ms. Demola had
14 told someone that the appraisers didn't need to take
15 photographs.

16 Did you ever hear that?

17 A. No, sir.

18 Q. And did all the loan applications that you
19 submitted have photographs as part of the appraisals?

20 A. Yes, sir.

21 Q. I think actually you testified last time,
22 Mr. Kane, that one of the appraisers suggested that one of
23 the houses had some fire damage and that you hire a painter
24 to paint over the smoke damage and put a tarp on the roof.

25 A. Correct.

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1 have any questions before you leave?
 2 MR. McGOWAN: No, I'm just going to go.
 3 BY MR. KOTT:
 4 Q. Mr. Kane, I really am coming to the end.
 5 Let me try it this way. You were kind of weaved
 6 through a lot of these transactions wearing a variety of
 7 hats; is that a fair statement?
 8 A. That's an accurate statement, yes.
 9 Q. What I was driving at is whether Ms. Demola knew
 10 all the hats that you wore in these transactions.
 11 Do you know whether she knew all the various hats
 12 you wore?
 13 A. I can't say yes or no to that. I really can't.
 14 She knew -- I know she knew I owned Cristo. She knew I was
 15 affiliated with National Home Funding because the deals were
 16 coming through National Home Funding. She knew I brought
 17 the deals up to National Home Funding.
 18 Whether she knew or not I was writing the loans, I
 19 can't answer you that question. I don't know. Unless, you
 20 know -- I never saw her look, take a 1003 and look at it and
 21 say -- you know, and see my name on it. I don't know.
 22 Q. But all that information would have been in the
 23 files; correct?
 24 A. Yes.
 25 MR. MAGNANINI: Objection to the form of the

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1 MS. PATEL: I don't have any further questions.
 2 MR. MAGNANINI: No further questions.
 3 THE DEPONENT: All rightie.
 4 MR. KOTT: Mr. Kane, just one or two others.
 5 THE DEPONENT: You said you were finished.
 6 FURTHER REDIRECT EXAMINATION
 7 BY MR. KOTT:
 8 Q. This is more of housekeeping. We have your home
 9 address.
 10 If we wanted to reach you again, besides your home
 11 is there any other way we would reach you; a business
 12 address, a second phone, anything like that?
 13 A. No, sir.
 14 MR. KOTT: Okay. Thank you.
 15 THE DEPOSITION WAS CONCLUDED AT 1:40 p.m.
 16
 17
 18
 19
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 21
 22
 23
 24
 25

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1 question.
 2 BY MR. KOTT:
 3 Q. And would Ms. Demola have known about the 60/40
 4 arrangement?
 5 A. No.
 6 MR. KOTT: Thank you. I do not actually have
 7 any further questions.
 8 REDIRECT EXAMINATION
 9 BY MR. CALANNI:
 10 Q. Just a couple, Bill. I'm the only appraiser that
 11 shows up for the depositions or court, whatever. And it
 12 seems to me when a question's asked about appraisers, it's
 13 always appraisers like Rich Calanni. So I need to clear up
 14 something here.
 15 (Court reporter asks for the microphone to be moved.)
 16 BY MR. CALANNI:
 17 Q. Did you get what I said?
 18 A. Yes, we got that so far.
 19 Q. Did you ever call me to ask me to come up with a
 20 price on an appraisal?
 21 A. Not to my recollection, no.
 22 MR. CALANNI: All right, Bill.
 23 THE DEPONENT: Okay.
 24 MR. CALANNI: Yes, there are others, but I
 25 think Mr. Kott covered it and...

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1 ERRATA SHEET
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 WILLIAM KANE (DATE)

WILLIAM KANE

Page 1

1 UNITED STATES DISTRICT COURT
2 DISTRICT OF NEW JERSEY

3 CIVIL ACTION NO: 97-cv-3496 (DRD) (MAS)

4
5 WALSH SECURITIES, INC.,

6 Plaintiff,

7 vs.

8 CRISTO PROPERTY MANAGEMENT ET AL.,

9 Defendants.

10 _____/
11
12 2701 N. Rocky Point Dr.
Suite 1200
13 Tampa, FL 33607
October 5, 2011
14 10:36 a.m. to 5:08 p.m.
15

16 VIDEOTAPE DEPOSITION OF WILLIAM KANE
17
18

19 Taken on behalf of the Plaintiff before PHILIP
20 RYAN, RPR, Court Reporter, Notary Public in and
21 for the State of Florida at Large, pursuant to
22 Plaintiff's Notice of Taking Deposition in the
23 above cause.
24
25

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WILLIAM KANE

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1 A. Basically, you know, in a nice way, he
2 said forget it, you know?

3 Q. And then what did Mr. Gilgar say during
4 the meeting, if you recall?

5 A. I don't remember. I think he was just
6 more quiet than anything.

7 Q. Okay. And then after that meeting,
8 which was the day or so after the subpoenas, did
9 you -- were you able to close any more loans
10 with --

11 A. No.

12 Q. -- Walsh Securities?

13 Okay. And then did you ever speak to Robert
14 Walsh at any time thereafter, after that meeting?

15 A. No. I think there was one or two phone
16 calls to find out who his attorney was. And his
17 attorneys was going to talk to my attorney and --
18 but there was never any substance conversations.

19 Q. Okay. One of the appraisers, Richard
20 DiBenedetto, had testified at his deposition --
21 and I'll -- just let me lay the story out and you
22 can say if it's true or not -- was that
23 Mr. DiBenedetto had testified that approximately a
24 year after he had completed the last of the
25 appraisals that he had done, that you had called

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1 him at about three in the morning in Atlantic
2 City, with Mr. Walsh with you, both of you being
3 drunk. Mr. Walsh having hit his elbow on your car
4 and cursing in the background.

5 And you told Mr. DiBenedetto, don't worry
6 about those appraisals. Mr. Walsh has just sold
7 his company for hundreds of millions of dollars,
8 and everything's going to be okay.

9 And my question is: Did that conversation
10 ever occur?

11 A. No.

12 Q. Okay. Have you ever been to Atlantic
13 City?

14 A. Once, with Gary Grieser.

15 Q. Okay.

16 A. And that was before this. And I've
17 never socialized with Mr. Walsh.

18 Q. Okay. Are you familiar with James
19 Walsh?

20 A. Yes.

21 Q. And who is James Walsh?

22 A. Robert Walsh's brother.

23 Q. Okay. And did he work at Walsh
24 Securities?

25 A. Yes.

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WILLIAM KANE

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1 again, this is testimony from different people,
2 but did you ever tell Miss Demola that Cristo was
3 selling properties before it purchased them?

4 A. No.

5 Q. Did you tell Miss Demola that the
6 proceeds from the sale were necessary to buy the
7 property? And did you ever tell Miss Demola that
8 some of the proceeds from the sale were used to
9 pay other existing mortgages?

10 A. No.

11 Q. And did you ever tell Miss Demola that
12 the straw buyers were, in fact, straw buyers?

13 A. No.

14 Q. Did you ever tell Miss Demola that the
15 straw buyers were paid for their credit history?

16 A. Not to my recollection.

17 Q. Did you ever tell Miss Demola that
18 the -- or at least some of the applications were
19 signed for by people like Cristo and not even
20 straw buyers?

21 A. No.

22 Q. Okay. Did you ever tell Miss Demola
23 that the appraisals were not, I guess, as-is, that
24 they reflected, I guess -- I'm trying to think who
25 said it, Mr. Calanni -- Mr. Brown, James Brown

WILLIAM KANE

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1 said, I believe, that he wrote the appraisals as
2 if the property had been improved or renovated.
3 And was that information ever conveyed to Miss
4 Demola?

5 A. No.

6 Q. No. Okay. Sorry.

7 And did you ever tell Miss Demola that the
8 closings were actually done by Lory King and not
9 Mr. Yacker or Mr. Cicalese?

10 A. No.

11 Q. I think you had a variety of -- I don't
12 want to say roles or hats that you wore, Mr. Kane.
13 At some point you were president of Cristo, of
14 Oakwood, you were a partner in DEK, you worked at
15 NHF. Did Miss Demola know all -- all of your
16 different roles in the process?

17 A. I believe she knew I was with NHF. She
18 knew I owned Cristo. I don't know about DEK or
19 Oakwood. That was, you know, there was never that
20 volume there, so...

21 Q. Okay. At some point, would the homes
22 sold by DEK or Dinaso & Sons, were they actually
23 rehabilitated or refurbished?

24 A. Some were, some weren't.

25 Q. And then those homes were sold to

WILLIAM KANE

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1 were with Selective?

2 A. No. And can I clarify something?

3 Q. Sure.

4 A. I didn't work for Selective at that
5 point in time. They did the loans for us, just
6 like I was an independent person. So I never got
7 paid or had a solicitor's license or had a desk
8 there.

9 Q. And you testified previously that at
10 some point in time you recognized that you could
11 get a better deal with NHF by placing the loans
12 through NHF. Is that a fair statement?

13 A. That's a fair statement.

14 Q. And from the point in time when you
15 obtained your license through NHF, did all of the
16 loans that you were involved with, Mr. Kane, get
17 submitted through NHF?

18 A. Yes, sir.

19 Q. And you testified in the prior
20 deposition on numerous occasions that you worked
21 for NHF. Did you consider yourself to work for
22 that entity?

23 A. I was an independent contractor, yes.

24 Q. Now, is it fair to say that in these
25 transactions, Mr. Kane, you wore different hats?

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WILLIAM KANE

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1 A. That is correct.

2 Q. And with one hat, you were the principal
3 of Cristo Property; correct?

4 A. Yes, sir.

5 Q. And Cristo Property was the entity that
6 was going out and finding properties to buy that
7 would ultimately be flipped, correct?

8 A. Yes, sir.

9 Q. Was the intent at the beginning,
10 Mr. Kane, that properties would be bought at a
11 certain price, they would be improved or
12 rehabilitated in some way and then sold to third
13 parties at a profit?

14 A. Yes, sir.

15 Q. And Mr. Grieser's role in this was to
16 actually rehabilitate the properties?

17 A. Yes, sir.

18 Q. And your role was to find the properties
19 that would be purchased for rehabilitation
20 purposes?

21 A. Yes, sir.

22 Q. And whose job was it, Mr. Kane, to find
23 the buyers?

24 A. Mr. Grieser's.

25 Q. And did I understand your testimony

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WILLIAM KANE

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1 correctly that you would find a particular
2 property, determine what the cost to rehabilitate
3 it would be, and then based on that cost plus the
4 profit that you hoped to make, a sale price would
5 be determined?

6 MR. MAGNANINI: Objection to form. You
7 can answer, though.

8 THE WITNESS: Yes. Adding in money for
9 Gary and for the construction, yes.

10 BY MR. HAYES:

11 Q. And then you would go out to see whether
12 or not appraisals would warrant that sale price;
13 correct?

14 A. Correct.

15 Q. Now, with all of the activities that you
16 engaged in of finding properties and purchasing
17 properties, you were acting as William Kane, a
18 principal of Cristo Property; correct?

19 A. I would assume. That might be a
20 technical question. I'm not aware whether I can
21 answer or not but --

22 Q. From the standpoint of what hat you were
23 wearing in finding properties and acquiring the
24 properties, that hat was a Cristo hat, was it not?

25 A. Correct.

WILLIAM KANE

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1 Q. And in connection with the mortgage
2 monies that were necessary for the third parties
3 to buy the property, you did play some role in
4 that process as a mortgage solicitor; correct?

5 A. Correct.

6 Q. And in that process, you would, to
7 summarize, put together the loan package that was
8 necessary to submit to Walsh?

9 A. Correct.

10 Q. And that would include a loan
11 application, the employment information, asset
12 information, correct?

13 A. Correct.

14 Q. And when you were putting that
15 information together, you were wearing your hat as
16 an independent contractor for NHF; correct?

17 A. Correct.

18 MR. MAGNANINI: Objection to form.

19 MR. HAYES: While the package was -- I'm
20 sorry, Bob?

21 MR. MAGNANINI: Yeah. I was just
22 objecting to the form, Ed.

23 BY MR. HAYES:

24 Q. The loan package that was submitted to
25 Walsh was submitted on behalf of NHF; correct,

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